Manitoba

REPORT OF THE PROVINCIAL AUDITOR to the Legislative Assembly for the fiscal year ended March 31, 1990

SUPPLEMENT

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91-07074/

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INTRODUCTORY COMMENTS

Introductory Comments

The Government's Public Accounts consist of 3 volumes. Volumes 1 and 2 were released prior to the release of our Report to the Legislative Assembly on December 21, 1990. Volume 3 has recently been released. Therefore, we are now issuing this Supplementary Report to the Legislative Assembly to include comments on the Public Accounts and to provide information on significant trends in the Government's financial operations.

We summarize what we consider to be the more significant concerns and recommendations regarding the Government's financial affairs in the section titled Summary of Concerns and Recommendations. Detailed comments and other information are presented in the Public Accounts section. This section includes comments on the Consolidated Fund financial statements and Summary financial statements and analysis of the Consolidated Fund financial statements. We have included, as exhibits, the Summary financial statements and the Consolidated Fund financial statements, together with our attest audit opinions on each set of statements.

SUMMARY OF CONCERNS AND RECOMMENDATIONS

Summary of Concerns and Recommendations

Public Accounts

Annual Deficit and Accumulated Deficit (Page 6)

Deficits, the resulting debt and the ongoing required interest payments on the debt have been increasing at alarming rates in Canada in recent years. Manitoba's debt and accumulated deficits have been increasing by significant amounts.

Annual deficits and the accumulated deficit are the result of both operating and capital related expenditures. In order to reduce the accumulated deficit, annual surpluses are required. The annual and accumulated deficit included in this report have been adjusted to reflect the reservations reported in our attest audit opinions. The adjusted deficit for March 31, 1990 was $267 million. The adjusted accumulated deficit as at March 31, 1990 was $5.7 billion dollars. The adjusted accumulated deficit represents approximately $5,233 per Manitoban.

Interest payments on outstanding debt, arising from annual deficits, causes a government to lose its spending flexibility and limits expenditure on programs expected by Manitobans from the Government.

The Government has announced as its long-term goal the elimination of deficits. We are supportive of this goal.

We recommend the Government continue to work to reduce its annual deficits and accumulated deficit.

Summary Financial Statements - Reservations in our Attest Audit Opinion (Page 29)

We have reported 3 reservations in our attest audit opinion on the Summary financial statements. Reservation 1 concerns the recording of an emergency disaster amount receivable from the Government of Canada which is not supported by an agreement as at March 31, 1990. In our view, the recording of this amount receivable is not in accordance with the Government's accounting policies because the Department of Finance generally does not record amounts receivable from the Government of Canada until a covering agreement is in place. Reservation 2 concerns the government reporting entity's failure to fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for entitlements earned by employees, teachers and Members of the Legislative Assembly. Reservation 3 concerns the recording of preferred shares of Repap Enterprises Inc.

We recommend that the Government finalize arrangements with the Government of Canada on the cost sharing of its emergency disaster costs. We further recommend the full recording of pension liabilities and the costs associated with the annual increase in the

pension liabilities. We also recommend that the Government improve the presentation of certain of its preferred shares to more clearly indicate their present value.

PUBLIC ACCOUNTS

General Comments on the Public Accounts

Information on the Government's financial position and its operating results is published annually by the Government of the Province of Manitoba in the Public Accounts. The objectives of financial reporting are:

- to communicate information that is relevant, timely, clear and developed on the basis of consistently applied accounting policies;

- to provide an accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible;

- to demonstrate the Government's accountability for the financial resources entrusted to it;

- to account for the sources, allocation and use of the financial resources required by the Government in the period being reported on and

- to present information to display the state of the Government's finances.

The Public Accounts and departmental annual reports are the principle means by which the Government accounts to the Legislators and the public on the results of its operations.

The Public Accounts consists of three volumes. Volume 1 contains the financial statements of the Consolidated Fund, being the Operating Fund and the Trust Fund, and other supporting information. Volume 2 contains supplementary information on expenditures by object code, salaries and wages paid to employees and payments to corporations, firms, individuals, other governments and government agencies. Volume 3 contains the Summary financial statements. The Summary financial statements for March 31, 1990 are reproduced in this report as Exhibit 2. The Consolidated Fund financial statements for March 31, 1990 are reproduced in this report as Exhibit 4.

To help a reader better understand the Government's operating results, we provide additional comments and analysis of significant aspects of the Government's financial operations.

Specific purpose financial statements, such as the Operating Fund financial statements have their limitations. Therefore, the Government has adopted the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants (PSAAC) regarding the preparation of Summary financial statements. The comparison of Summary financial statements to the Operating Fund financial statements is commented on later in this report.

The Government has made significant progress in expanding the contents of its Summary financial statements. All special funds, all Government enterprises and all of the larger Crown organizations have been combined with the Operating Fund of the Consolidated Fund. As a result, there will be reasonable comparability in the presentation of the

Summary financial statements between what is presented this year and the statements that will be presented next year when all Crown organizations are included. However, for March 31, 1990, our analysis of significant trends is restricted to information based upon the Consolidated Fund financial statements.

Annual Deficit and Accumulated Deficit

The annual deficit is the excess of expenditures over revenues for the year. The accumulated deficit is the total of all the annual deficits, with adjustments to prior period operating results, less any annual surpluses. In Manitoba, the accumulated deficit is disclosed on the statement of financial position and it is called "Total Excess of Liabilities Over Financial Assets and Similar Items". The similar items refer to serial debentures of school divisions and districts and securities received from the sale of land and buildings. These items are to be funded by charges to future appropriations.

Last year we reported that there are different opinions about governments accumulating deficits. The United States General Accounting Office (GAO) recently prepared a report on deficits for members of Congress. In this report, the GAO notes that with the economy running close to full capacity, large and persistent deficits undermine the future well-being of the country by consuming savings that would otherwise be available to finance investment supporting long-term economic growth. The report goes on to note that continuing large deficits affect that economy seriously and fundamentally, but gradually. The high real interest rates to which the deficits contribute are undeniably a source of strain. Deficits add vulnerability to a financial and economic system that already has many other sources of vulnerability. Studies in Canada have had similar findings.

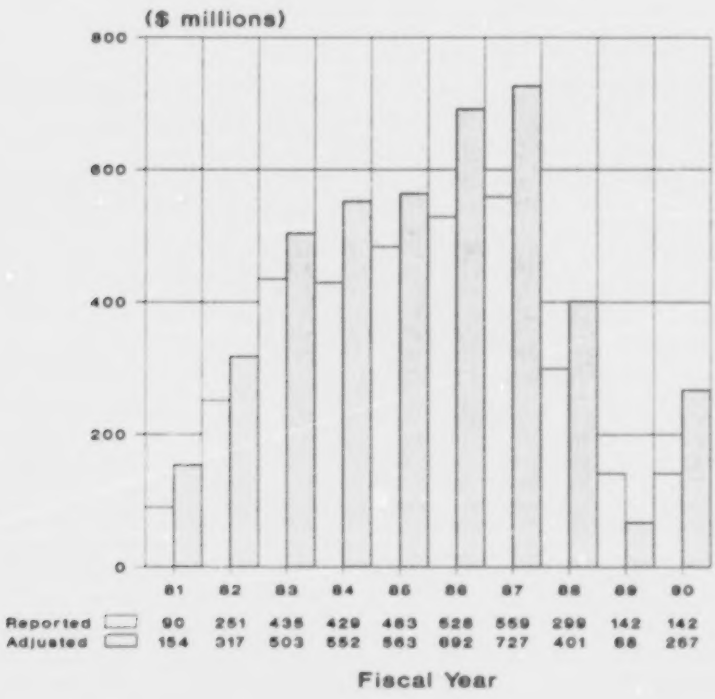
While the operations of the Province of Manitoba cannot be compared in size to those of the United States, the GAO's comments about deficits would be applicable to any size government. Continued deficits means the Government must finance this portion of its operations with borrowings (debt). This results in the Government having to use future revenues to service the debt and this use of revenues for debt purposes reduces the revenues available to operate programs expected by Manitobans from the Government.

Graph 1 shows the reported annual deficit for each of the last ten years, from 1981 to 1990. The graph also provides, for comparison, the adjusted annual deficits after reflecting reservations reported in our attest audit opinions that affected the annual deficits and the retroactive adjustments for the costs associated with the annual increase in pension liabilities. The more significant adjustments in this and other graphs are those related to pension costs and liabilities.

The inclusion of pension costs and liabilities have been a concern of ours for many years. In 1988, PSAAC issued recommendations as to how to account for and report employee pension obligations. Our graphs reflect adjustments on the recommended basis, retroactively.

Annual Deficit

Graph 1



Graph 1 illustrates that the adjusted annual deficits range from a low of $68 million in 1989 to a high of $727 million in 1987. The adjusted annual deficit rose from $68 million in 1989 to $267 million in 1990. In 1990, the increase of $125 million from the reported deficit to the adjusted amount is due to reservations in our attest audit opinion on the Consolidated Fund financial statements regarding:

- the Government recording an unsupported amount receivable from the Government of Canada amounting to $18.7 million;

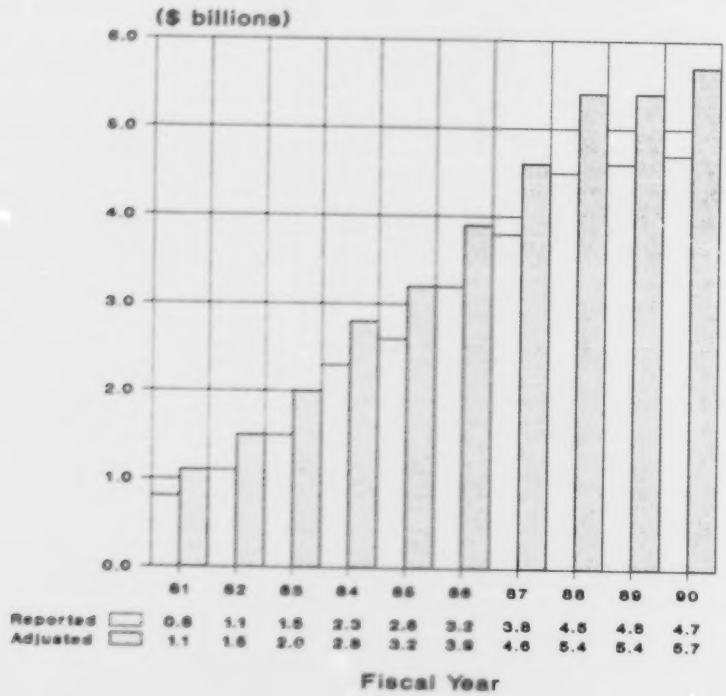
- the Government's not recording the costs associated with the annual increase in pension liabilities of $131 million and

- the Government not combining the $25 million in interest earned by the Fiscal Stabilization Fund with the Operating Fund interest expenditures.

Graph 2 shows the reported accumulated deficits over the past ten years. The graph also provides, for comparison, the adjusted accumulated deficit each year after reflecting reservations reported in our attest audit opinions that affected the accumulated deficit and the retroactive adjustments for the recording of the Government's pension liabilities.

Accumulated Deficit

Graph 2



Graph 2 indicates that the accumulated deficit continues to grow. Since 1981, the adjusted accumulated deficit has increased $4.6 billion or more than 4 times the adjusted accumulated deficit recorded at March 31, 1981.

In 1989 and 1990 and certain earlier years we reported reservations in our attest audit opinions that affected the accumulated deficit. Had the Government followed accounting policies recommended by PSAAC, in 1988 the reported accumulated deficits would be significantly increased. The increase of $950.7 million between the 1990 reported accumulated deficit and the 1990 adjusted amount, based on our reservations, is the result of:

- the Government's failure to record its pension liabilities for its employees, teachers and Members of the Legislative Assembly of an estimated $1,157 million;

- the Government recording an unsupported amount receivable from the Government of Canada of $18.7 million;

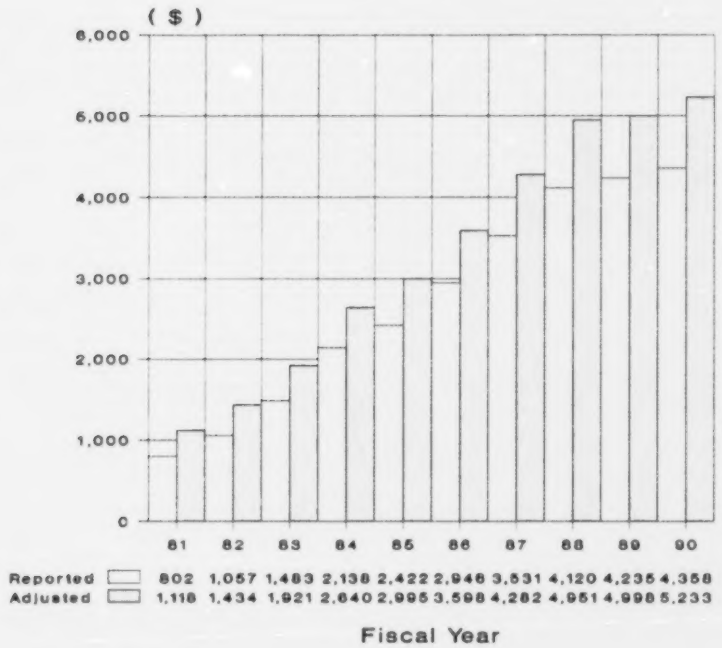
less:

- the Government transferring Operating Fund revenue to the Fiscal Stabilization Fund in 1989 of $200 million and
- the Government not combining with the Operating Fund $25 million of interest earned by the Fiscal Stabilization Fund on the 1989 transfer of $200 million.

Graph 2.1 shows reported accumulated deficits on a per-capita basis over a ten year period. The graph also provides, for comparison, the adjusted accumulated deficits on a per-capita basis after reflecting reservations in our attest audit opinions that affected the accumulated deficits and the retroactive adjustments for the recording of the Government's pension liabilities.

Accumulated Deficit Per Capita

Graph 2.1



Manitoba's population figures used throughout this report are those reported by the Manitoba Bureau of Statistics as at April 1 of each year.

The years since 1982 are generally recognized as the longest running period of economic growth and prosperity since the middle 1940's. The graph clearly indicates that Government expenditures since 1982 were in excess of its revenues.

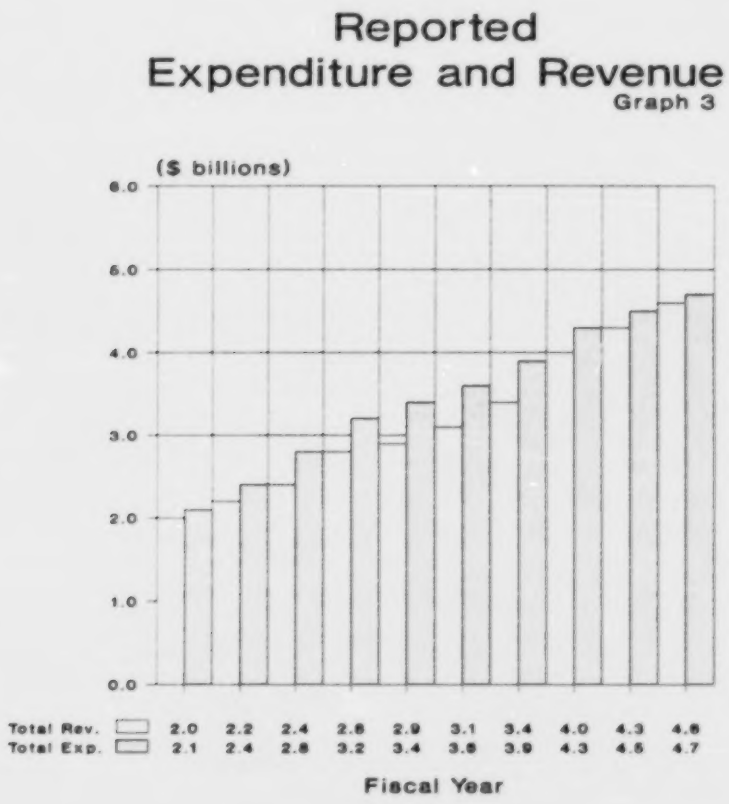
Graph 2.1 indicates that the 1990 adjusted accumulated deficit per capita is $5,233. This is an increase of $4,115 from 1981 or more than 3 times the adjusted 1981 per capita amount. These amounts are significant when considered that each person in Manitoba would be required to pay $5,233 to eliminate the Provincial accumulated deficit as at March 31, 1990. This does not include any amount for the Federal deficit or municipal deficits.

The Government in its 1990 Budget announced as its long-term goal the elimination of the deficit. The Budget set out the Government's strategy to accomplish this. The Government reaffirmed this goal in the recent speech from the Throne at the opening of the 2nd session of the thirty-fifth Legislature. In the speech, the Government reported that no one challenge is more fundamental to the Government's plans to reach the Province's potential than the challenge of keeping the Government's finances under control. We are encouraged by the Government's intention to continue its work to reduce its deficits.

The accumulated deficit, as previously mentioned, is a product of the annual deficits. Both deficits include operating and capital related expenditures. In our view, the Government should implement more appropriate fixed asset accounting policies. PSAAC has completed a research study on this matter. The study indicates the need for change in government accounting for fixed asset expenditure. However, no recommendations have been issued as yet. Had the Government recorded capital related expenditures as assets rather than expenditures, the deficits would be significantly decreased.

Expenditure and Revenue

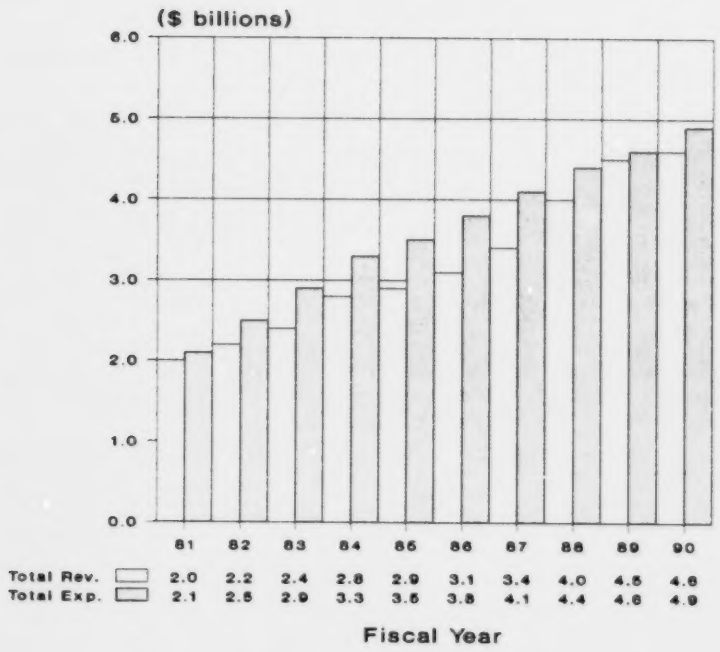
Graph 3 shows the Government's reported expenditures and revenues for the ten years ended March 31, 1990.



Graph 3.1 provides, for comparison, the Government's reported expenditures and revenues for the past ten years, adjusted for reservations in our attest audit opinions that affected expenditure and revenue, including the retroactive adjustment for the costs associated with the annual increase in the Government's pension liabilities.

Adjusted Expenditure and Revenue

Graph 3.1



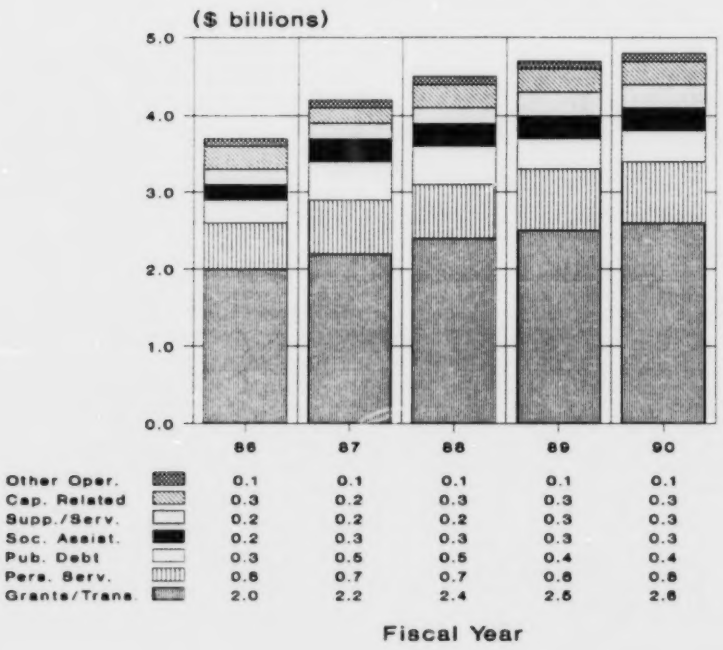
Graph 3.1 illustrates that adjusted expenditures have exceeded adjusted revenue for all the years included. However, the graph illustrates that in recent years the gap has narrowed.

For 1990, the increase in the adjusted expenditure over the reported expenditure is mainly due to the Government not recording the costs associated with the annual increase in the estimated pension liabilities for employees, teachers and Members of the Legislative Assembly.

Graph 4 presents adjusted expenditure by object code.

Adjusted Expenditure by Object Code

Graph 4



Expenditure by Object Code as a %

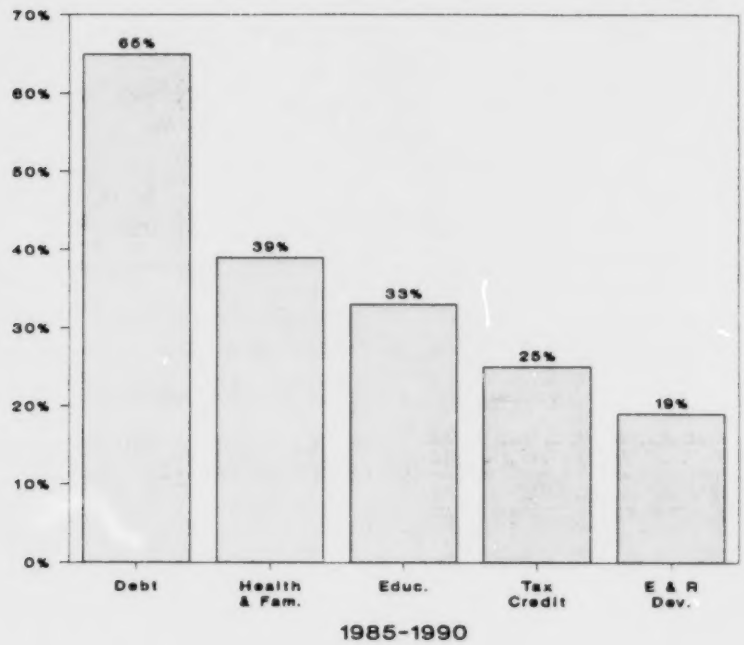
	1986	1987	1988	1989	1990
Other Operating	3.5%	1.6%	1.9%	1.8%	1.6%
Capital Related	7.3%	6.1%	5.7%	6.1%	5.9%
Supplies/Services	5.5%	5.7%	5.4%	5.6%	5.9%
Social Assistance	6.2%	6.3%	6.6%	6.7%	7.1%
Public Debt	8.1%	11.7%	10.9%	9.1%	8.2%
Personnel Services	15.7%	15.8%	15.7%	16.3%	16.5%
Grants & Transfers	53.7%	52.8%	53.8%	54.4%	54.8%
	100%	100%	100%	100%	100%

Grants and transfer payments are by far the most significant type of expenditure. The more significant grants and transfer payments are to the Manitoba Health Services Commission and to schools and universities. Further details of expenditures by object code can be found on page 5-16 and 5-17 of Volume 1 of the Public Accounts.

Graph 4.1 shows the percentage increase in adjusted expenditures by major category between the 1985 fiscal year and the 1990 fiscal year.

Percentage Increase in Adjusted Expenditure by Major Category

Graph 4.1



The largest percentage increases are for Debt and Health and Family Services. If the debt were adjusted to include the required borrowings to fund the Government's annual increase in its unrecorded pension liabilities, the percentage increase in debt over the five year period would be approximately 86% rather than 65%.

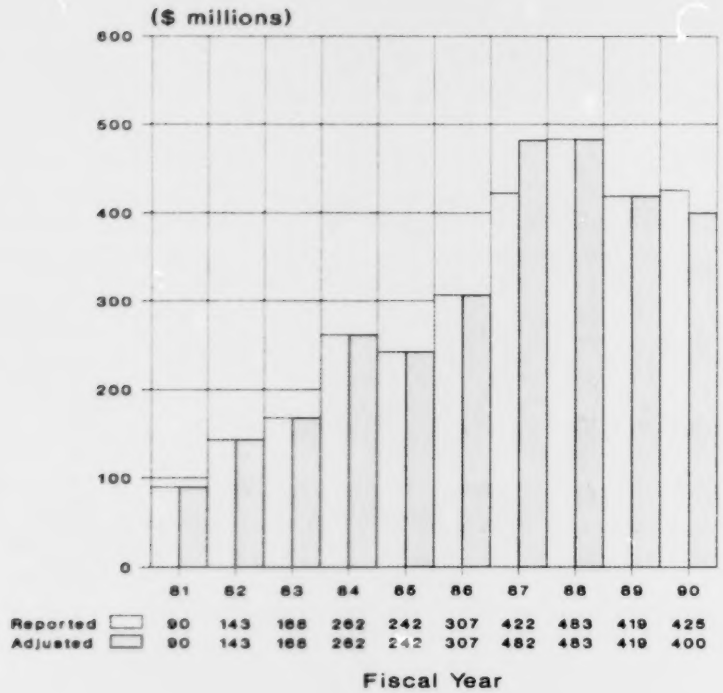
Total adjusted expenditures from 1981-1990 amounted to $36.2 billion while total revenue amounted to $32.0 billion. The shortfall of $4.2 billion was made up through borrowings.

Government expenditure in 1980 was $1.9 billion. In 1990 Government expenditure was $4.9 billion. This represents an increase in spending of 154%. If we adjust for inflation the increase is 81%.

Public Debt Expenditure

Graph 5 shows the public debt expenditure, including Hydro rate stabilization expenditure, for the last ten years as reported in Public Accounts. The graph also provides, for comparison, the adjusted public debt expenditure, including Hydro rate stabilization, after reflecting reservations reported in our attest audit opinions.

Public Debt Expenditure
Graph 5



The Public Accounts do not record payments to Manitoba Properties Inc. (MPI) as public debt expenditure but as rental payments. If these payments had been treated as public debt expenditure, adjusted public debt expenditure would be increased by $24 million - 1985; $40 million - 1986, $59 million - 1987, $60 million - 1988, $65 million - 1989 and $62 million - 1990.

Graph 5 illustrates that adjusted public debt expenditures, including Hydro rate stabilization expenditure, ranged from a low of $90 million in 1981 to a high of $483 million in 1988. Public debt expenditure decreased in 1989 and 1990 from that of 1988. This is mainly attributable to a decrease in the cost of servicing the foreign debt due to more favourable exchange rates and the termination of the Hydro Rate Stabilization program as of April 1, 1989. The Province's reduced exposure to foreign debt has also been a factor. In addition, public debt expenditure for 1988 included a significant one-time

adjustment to reflect a change in the method of amortizing estimated losses on foreign currency of $64.1 million.

In 1990, the decrease of $25 million between the reported amount of $425 million to the adjusted amount of $400 million is due to the reservation in our audit opinion on the Consolidated Fund financial statements regarding the payment of interest from the Operating Fund of the Consolidated Fund to the Fiscal Stabilization Fund.

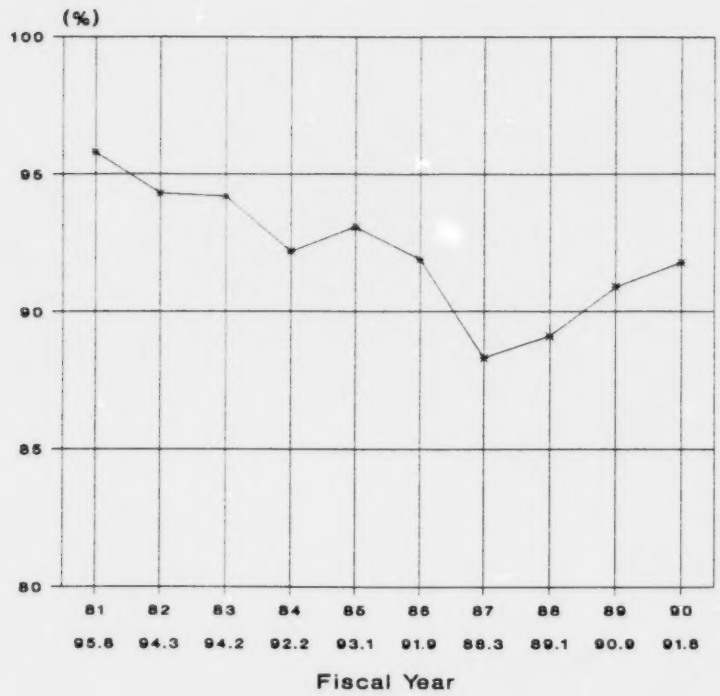
In 1987, the increase of $60 million between the reported amount of $422 million and the adjusted amount of $482 million is due to the reservation in our audit opinion on the Consolidated Fund financial statements regarding the non-consolidation of MPI. A reservation was not required in subsequent years because the Government consolidated MPI in its Summary financial statements.

Spending Flexibility

Graph 6 shows adjusted Government expenditures, excluding public debt expenditure, as a % of total Government expenditures.

Spending Flexibility

Graph 6



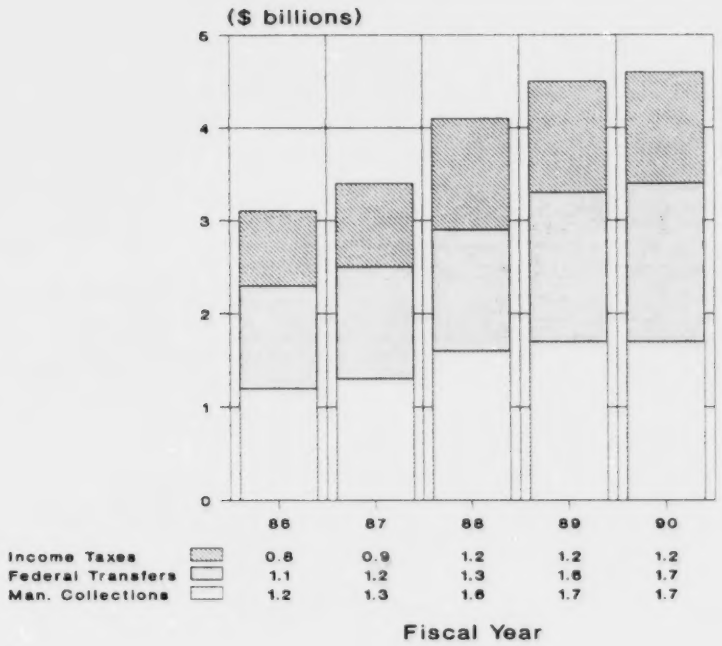
The more the Government spends to service the public debt, the less funds are available for government programs. The general trend over the last 10 years has been a decrease in the Government's spending flexibility because of the increase in public debt expenditures. However, this general trend has recently been reversed and in 1988, 1989 and 1990, there was an increase in spending flexibility due to a decrease in the percentage of expenditures related to public debt.

Revenue by Major Category

Graph 7 presents adjusted revenue information by major category.

Adjusted Revenue by Major Category

Graph 7



($ billions and Percent of Total)

	Income Taxes		Federal Transfers		Manitoba Collections		Total Revenue	
	$	%	$	%	$	%	$	%
1986	.8	25	1.1	36	1.2	39	3.1	100
1987	.9	26	1.2	34	1.3	40	3.4	100
1988	1.2	29	1.3	32	1.6	39	4.1	100
1989	1.2	27	1.6	35	1.7	38	4.5	100
1990	1.2	26	1.7	36	1.7	38	4.6	100

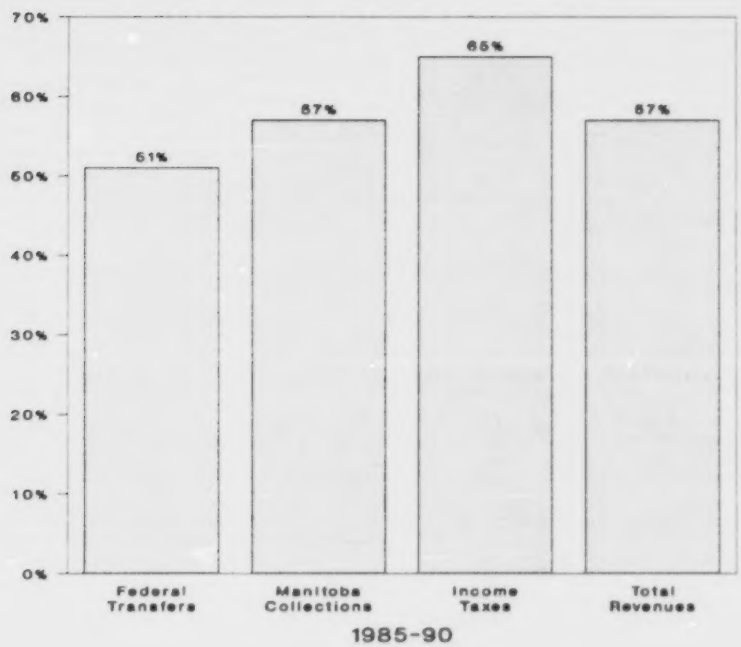
The adjusted 1990 revenue was $4.6 billion. This is an increase of $.1 billion over the adjusted 1989 revenue of $4.5 billion. Federal transfer payments, being equalization and established program transfers, reflected the most significant increase.

Percentage Increase in Adjusted Revenue by Major Category

Graph 7.1 shows the percentage increase in adjusted revenue by major category between the 1985 fiscal year and the 1990 fiscal year.

Percentage Increase in Adjusted Revenue by Major Category

Graph 7.1



Government revenue in 1980 was $1.8 billion. In 1990 Government revenue was $4.6 billion. This represents an increase in revenue of 154%. If we adjust for inflation the increase is 81%.

Combined Direct and Guaranteed Borrowings

Direct borrowing is debt the Government has incurred to supplement the shortfall in revenue needed to carry out its fiscal operations, and for agencies to fund major capital initiatives. In addition to direct borrowings, the Government has guaranteed borrowings by Government entities. Guaranteeing these entities' borrowings is an alternative to direct Government borrowing and lending the funds to the entities. The reported direct and guaranteed borrowings are presented below for information purposes (in millions of dollars):

	March 31		Increase
	1990	1989	(Decrease)
Direct borrowings	$ 10,028	$ 10,349	$ (321)
Guaranteed borrowings	2,115	2,013	102
Gross combined borrowings	12,143	12,362	(219)
Less:			
Sinking funds re:			
Direct borrowings	1,910	1,502	408
Guaranteed borrowings	290	277	13
	9,943	10,583	*
Debt of the Province of Manitoba held as provincial investments	199	198	1
Unamortized debt issue costs	39	44	(5)
Total	$ 9,705	$ 10,341	$ (636)

The above debt was issued for the following purposes:

	March 31		
	1990	1989	
General Government Programs (Note 1)	$ 4,856	$ 5,249	
The Manitoba Hydro-Electric Board	3,913	3,935	
Other	1,174	1,399	
	$ 9,943	$ 10,583	*

Note 1: Includes $372 million ($399 million as at March 31, 1989) of cumulative redeemable retractable 9 1/4% preferred shares issued by Manitoba Properties Inc., which are guaranteed by the Province. Consolidation with the Provincial accounts would require Manitoba Properties Inc. debt to be reclassified as Direct Province of Manitoba debt.

This is the first year in the past 10 years that outstanding borrowings have decreased from the prior year.

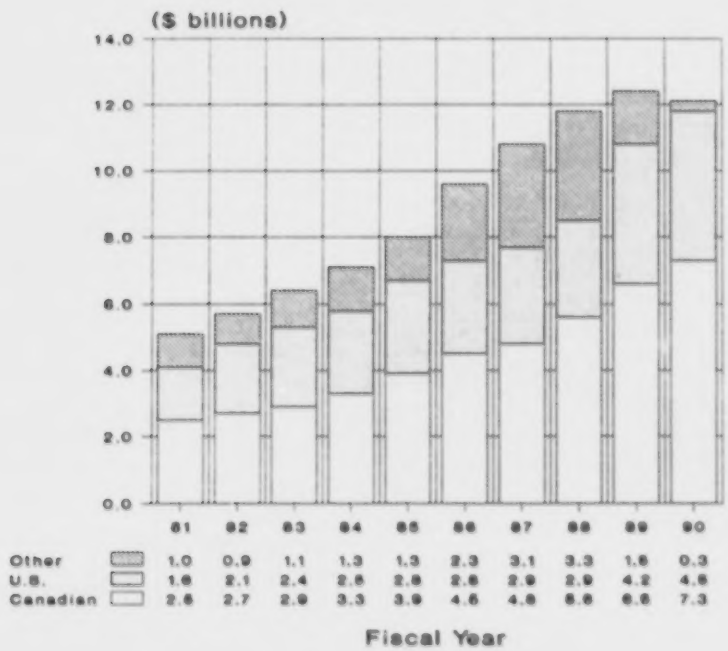
The decrease in outstanding direct borrowings in 1990 over 1989 of $321, is mainly a result of the timing of when borrowings are incurred. In February and March of 1990 debt matured which was not re-financed until the new year. In addition, considerably more pre-financing of debt was done in 1989 than in 1990.

Further details on direct and guaranteed borrowings are shown in Section 4 of Volume 1 of the Public Accounts.

The following graphs provide information about the Government's reported gross combined direct and guaranteed borrowings. Graph 8 shows the gross combined direct and guaranteed borrowings at the Canadian dollar equivalent as at March 31, split between Canadian dollar borrowings, U.S. dollar borrowings and other foreign currency borrowings.

Gross Combined Direct & Guaranteed Borrowings

Graph 8



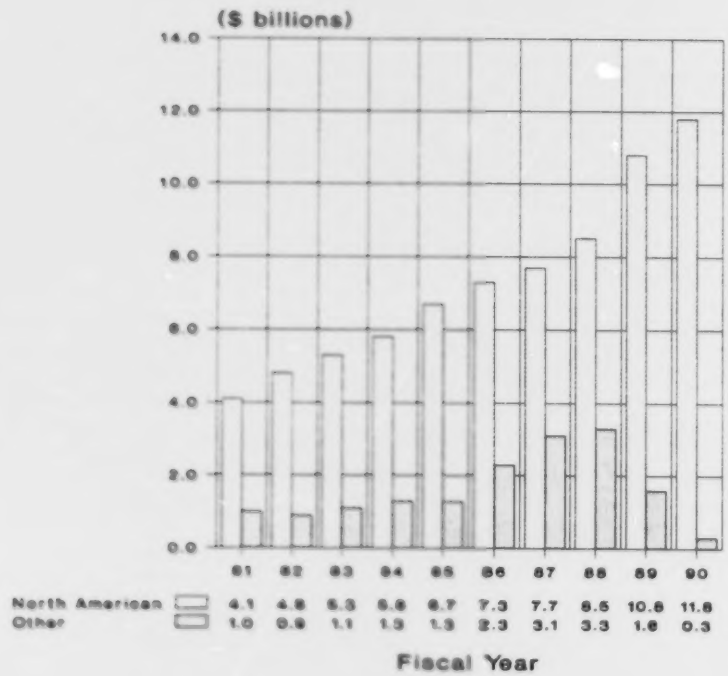
Canadian Debt as a % of Total

1981 - 49.3%	1986 - 47.2%
1982 - 47.2%	1987 - 44.3%
1983 - 46.2%	1988 - 47.3%
1984 - 47.0%	1989 - 53.1%
1985 - 48.3%	1990 - 60.2%

The graph indicates a significantly greater portion of debt being in North American currencies. The Government has recently been converting its borrowings to Canadian and U.S. currency. As at March 31, 1990, 60.2% of the borrowings were payable in Canadian currency.

Graph 8.1 shows the gross combined direct and guaranteed borrowings at the Canadian dollar equivalent as at March 31, split between borrowings in North American currencies and other foreign currencies.

North American Currency Borrowing Versus Other Foreign Currency
Graph 8.1



North American Currency Borrowing as a % of Total

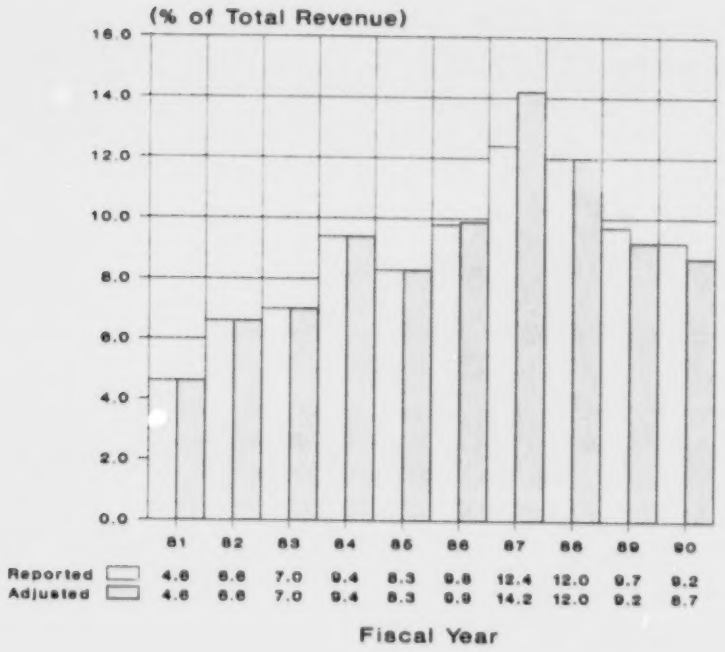
1981 - 80.7%	1986 - 76.2%
1982 - 83.5%	1987 - 71.6%
1983 - 83.4%	1988 - 71.9%
1984 - 82.2%	1989 - 87.0%
1985 - 83.1%	1990 - 97.5%

Graph 8.1 indicates that during the years 1986 to 1988, the Government had significantly increased its non North American currency borrowings. We were advised that the Government chose to borrow in these foreign currency markets because of favourable interest rates and the need to retain access to a broad range of capital markets. However, such borrowings increased the Government's exposure to unfavourable foreign exchange fluctuation. The graph further illustrates a significant decline in non North American currency debt in 1989 and 1990. In 1989 and 1990, the Government took action to decrease its risk of unfavourable foreign exchange fluctuation by converting a very considerable portion of its non North American currency debt to Canadian and U.S. dollar debt. As at March 31, 1990, 97.5% of the borrowings were payable in Canadian or U.S. currency.

Graph 9 shows public debt expenditure, including Hydro rate stabilization expenditure, as a percentage of total revenue. The graph also provides, for comparison, public debt expenditure, including Hydro rate stabilization, adjusted to reflect reservations reported in our attest audit opinions as a percentage of total revenue.

Public Debt Expenditure as a % of Total Revenue

Graph 9



Public debt expenditure for 1990, as a percentage of revenue, decreased for the third consecutive year. This is mainly due to the decrease in public debt expenditure as noted earlier.

Loans and Advances

Loans and advances represent the recoverable funds that the Government has provided to Crown corporations, agencies, boards and commissions for Government programs. These funds are generally raised through borrowings.

Total reported loans and advances, net of sinking funds, decreased by $109 million, from $4,210 million at March 31, 1989 to $4,101 million at March 31, 1990.

An overview of the net decrease in the loans and advances to Crown corporations, agencies, boards and commissions, net of sinking funds is as follows *(in millions of dollars):*

	March 31		
	1990	1989	Increase (Decrease)
Loans and advances	$ 4,287	$ 4,382	$ (95)
Less:			
Sinking funds of Crown agencies re borrowings by the Province	186	172	14
	$ 4,101	$ 4,210	
Net decrease			$ (109)

An analysis of the net decrease of $109 million, by agency, is as follows *(in millions of dollars):*

Agency	Change in Loans and Advances	Less: Change in Sinking Funds	Net
Manitoba Agricultural Credit Corporation	$ 6	$ -	$ 6
Manitoba Beef Commission	(18)	-	(18)
Manitoba Crop Insurance	21	-	21
Manitoba Data Services	1	-	1
Manitoba Development Corporation	8	-	8
Manitoba Hazardous Waste Management Corporation	2		2
Manitoba Housing and Renewal Corporation	16	(5)	21
Manitoba Hydro-Electric Board	(127)	16	(143)
Manitoba Properties Inc.	1	-	1
Manitoba Telephone System	(4)	3	(7)
Manitoba Water Services Board	2	-	2
Other - net	(3)	-	(3)
	$ (95)	$ 14	$(109)

Further details of loans and advances to Crown corporations, agencies, boards and commissions are shown in Section 3 of Volume 1 of the Public Accounts.

The principal repayments and/or interest charges for certain of the advances are dependent on total or partial funding from future appropriations of the Consolidated Fund. The major agencies to which this applies are the Manitoba Housing and Renewal Corporation, for most of the principal and interest funding, and The Manitoba Agricultural Credit Corporation, for partial interest funding.

Long-Term Investments

The majority of the Province's long-term investments consist of shares and debentures of Crown corporations. The total long-term investments, shown in the Operating Fund statement of financial position and schedule 3, decreased by $127 million, from $170 million at March 31, 1989 to $43 million at March 31, 1990.

An overview of the net change of $127 million in long-term investments is as follows *(in millions of dollars):*

	Increase (Decrease)
Common Shares:	
Manfor Ltd.	$ (20)
Preferred Shares:	
Manfor Ltd.	(107)
	$ (127)

The decrease relates to the disposal of shares of Manfor Ltd. This resulted from the Government's investment in the Corporation being sold in May 1989.

Valuation Allowance

A valuation allowance is a provision for a decrease in the estimated realizable value of Government loans, advances and long-term investments. When it is determined that a particular asset has a value less than the recorded value, an allowance is set up against that asset and a charge is made to an expenditure appropriation so that the net amount reported in the financial statements for that asset equals the estimated realizable value.

The valuation allowance provided against loans and advances and long-term investments decreased during the year by $146 million, from $214 million at March 31, 1989 to $68 million at March 31, 1990. A comparative summary of the valuation allowance, highlighting the allocation to expenditure and accumulated deficit, is as follows *(in millions of dollars):*

	March 31	
	1990	1989
Opening balance	$ 214	$ 206
Increase in valuation allowance charged to appropriations	13	16
Decrease related to the divestiture of Manfor Ltd.	(127)	-
Write-off of assets against valuation allowance	(32)	(8)
Closing balance	$ 68	$ 214

Details of the valuation allowance are reflected in the Operating Fund financial statements - statement of financial position, schedule 2 and schedule 3. The change in valuation allowance is set out in Public Accounts Section 3 of Volume 1.

Summary Financial Statements - Reservations In Our Attest Audit Opinion

Exhibit 1 is a reproduction of our attest audit opinion on the Summary financial statements of the Government of the Province of Manitoba. The Summary financial statements are presented, except for reservation 1, in accordance with the accounting policies stated in note 1 to the financial statements. We also report two additional reservations regarding the Government's accounting treatment of pension liabilities and associated pension costs, and the valuation of certain preferred shares.

Reservation 1 concerns the recognition of expenditures incurred as a cost shared claim against Canada, and consequently as revenue for the year ended March 31, 1990, prior to reaching an agreement with Canada to bring this about. It comments on the Government recording in the Operating Fund financial statements an emergency disaster amount receivable from the Government of Canada of $18.7 million. The receivable is for a pending claim for fire suppression costs incurred by Manitoba during the 1990 fiscal year. However, as at March 31, 1990, the Governments of the Province of Manitoba and Canada had not finalized the cost sharing arrangements for these costs, the Province had not submitted a formal claim to Canada and Canada had not acknowledged this liability. As a result, realization of this amount receivable is contingent upon future negotiations. As at March 31, 1990, $18.7 million cannot be verified as an amount receivable.

PSAAC has researched the issue of accounting for government transfers. PSAAC recommends that shared cost revenues be recognized by the recipient government for the portion of eligible expenditures incurred during the year that the transferring government has agreed to share pursuant to a shared cost agreement. As at March 31, 1990 Canada, the transferring Government, had not agreed to share in these fire suppression costs and an agreement had not been finalized. Had the Government not recorded the $18.7 million as an amount receivable in the financial statements, revenue would be decreased and the annual deficit would be increased by $18.7 million for the year ended March 31, 1990. Also, financial assets would be decreased and the accumulated deficit would be increased by $18.7 million as at March 31, 1990.

Reservation 2 concerns the exclusion of pension liabilities and associated pension costs from the Government's financial statements for pension entitlements earned by its employees, teachers and Members of the Legislative Assembly. The accounting treatment is in accordance with the accounting policy stated in note 1C2d to the financial statements.

Pension entitlements earned by employees are contractual obligations of the Government. During their years of service to the Government, employees earn both their salary and post retirement pension benefits. Employee salaries are costs that employers incur and record month by month as the salaries are earned. Post retirement pension entitlements also are earned during the years of service and are liabilities of the Government and its agencies that they should record as the entitlements are earned. To exclude these earned entitlements from the operating accounts understates the Government's operating costs and accumulated liabilities.

This is the twelfth year we have reported concerns with the Government's increasing unrecorded pension liabilities and the unrecorded cost of the annual increase in pension liabilities for pension entitlements earned by civil servants, teachers, Members of the Legislative Assembly and staff of certain Crown agencies.

PSAAC has researched the issue of accounting for pensions and reporting practices in Canada. PSAAC has issued recommendations for accounting for this aspect of government operations. Public Sector Accounting Statement 5 - Accounting for Employee Pension Obligations in Government financial statements recommends that governments record in their financial statements liabilities and costs for pension entitlements earned by their employees.

Comments related to this matter, relative to progress in other jurisdictions, were included in our report released on December 21, 1990.

Note 16 to the financial statements discloses information on the estimated unrecorded pension liabilities. The unrecorded pension liabilities are estimated to be $1,322.3 million as at March 31, 1990. While note disclosure provides information that is helpful to understanding aspects of Government operations, it is not the same as recording the pension liabilities and the costs associated with the annual increase in pension liabilities in the financial statements. Had the pension liabilities and the costs associated with the annual increase in the pension liabilities been recorded in the financial statements, expenditure would be increased by an estimated $132.9 million, the increase in equity in government enterprises would be increased by an estimated $7.8 million and consolidated net expenditure would be increased by an estimated $125.1 million for the year ended March 31, 1990. Also, assets would be decreased by an estimated $141.6 million, liabilities and unrealized recovery would be increased by an estimated $1,180.7 million and the accumulated deficit would be increased by an estimated $1,322.3 million as at March 31, 1990.

Reservation 3 concerns the valuation of certain preferred shares. The preferred shares of Repap Enterprises Inc., included in the consolidated statement of financial position as other long-term investments at $77.6 million, have been recorded at their future potential redemption value. The unrealized recovery from the future redemption of the preferred shares of Repap Enterprises Inc., of $77.6 million recognizes that realization of these shares is dependent on the future profitability of Manfor Ltd. or its successor, and other conditions being fulfilled well into the future. Had the unrealized recovery been offset against the shares, assets and liabilities and unrealized recovery would be decreased by $77.6 million as at March 31, 1990.

The combined effect of the three reservations on the 1990 operations is a decrease in revenue of $18.7 million, an increase in expenditures of $132.9 million, an increase in the increase in equity in government enterprises of $7.8 million and an increase in the consolidated net expenditure of $143.8 million for the year ended March 31, 1990. Also, assets would be decreased by $237.9 million, liabilities and unrealized recovery would be increased by $1,103.1 million and the accumulated deficit would be increased by $1,341 million as at March 31, 1990.

We recommend that the Government:

- continue to work to finalize formal arrangements with the Federal Government on cost sharing of the fire suppression costs incurred in the 1990 fiscal year,

- take action to record its pension liabilities and the costs associated with the annual increase in the pension liabilities and

- improve the presentation of preferred shares to more clearly indicate their present value.

The deficit and accumulated deficit for the government reporting entity as per the Summary financial statements are $171 million and $6,536 million respectively. This represents $157 and $6,007 per Manitoban.

The Summary financial statements reflect public debt expenditure for the government reporting entity as $548 million. This does not include $319 million in debt servicing costs of government enterprises that are combined in the government reporting entity on the modified equity basis. It also does not include an estimated $330 million for Crown organizations that are not yet combined into the Government reporting entity. The total debt servicing costs is approximately $1,197 million. This represents $1,100 per Manitoban.

Comparison of the Summary Financial Statements with the Consolidated Fund's Operating Fund Financial Statements

The limitations of specific purpose financial statements such as Manitoba's Operating Fund financial statements have been recognized. As a result, PSAAC developed recommendations for the preparation of Summary financial statements.

Summary Financial Statements

The Summary financial statements developed by the Government are based on PSAAC's Accounting Statement #3 - General Standards of Financial Statement Presentation for Governments, and Accounting Statement #4 - Defining the Government Reporting Entity. The Government has adopted the government reporting entity concepts recommended by PSAAC and first published an abbreviated set of Summary financial statements for the fiscal year ended March 31, 1988.

The Summary financial statements present an overview of the full nature and extent of the financial affairs and resources for which the Government is responsible. They provide additional information on the economic impact of the Government's activities beyond that reflected in the Operating Fund financial statements. The financial position and operating results of special funds and those Government organizations that exist primarily to provide services to the Government and to deliver Government programs are combined with the Operating Fund on the consolidation basis. The financial position and operating results of those Government organizations that operate as distinct business enterprises are combined with the Operating Fund on the modified equity basis. The modified equity method results in an increase or decrease to the Government's net assets and operating results by reflecting changes in the net assets and liabilities and operating results of individual Government enterprises.

In the Summary financial statements for the year ended March 31, 1990, the Government combined the financial operations of all of its special funds and the significant Crown organizations with the Operating Fund. They also include all business enterprise type Government agencies. For March 31, 1990, the following operations have been combined with the Operating Fund of the Consolidated Fund:

Consolidation Method:

- Special (Trust) Funds:

  Fires Prevention Fund
  Fiscal Stabilization Fund
  Holdbacks: Builders' Liens and Contractual
  Land Titles Assurance Fund
  Mining Community Reserve
  Manitoba Lotteries Trusts
    Amateur Sport
    Community Places
    Culture, Heritage and Recreation
    Fitness Development

Veterinary Science Scholarship Fund
Victims Assistance Fund
Multicultural Grants Advisory Council
Planning and Research
Special Health Projects

- Crown Organizations:

Alcoholism Foundation of Manitoba
Legal Aid Services Society of Manitoba
Manitoba Agricultural Credit Corporation
Manitoba Arts Council
Manitoba Cancer Treatment & Research Foundation
Manitoba Health Services Commission
Manitoba Housing & Renewal Corporation
Manitoba Properties Inc.
Man. Properties Leasing Inc.
Man. Properties Management Inc.
Manitoba Research Council
Public Schools Finance Board
Public Trustee of Manitoba
Universities Grants Commission

Modified Equity Method:

- Government Enterprises:

A. E. McKenzie Co. Ltd.
Channel Area Loggers
Leaf Rapids Town Properties ltd.
Liquor Control Commission
Manitoba Crop Insurance Corp.
Manitoba Hydro
Manitoba Lotteries Foundation
Manitoba Mineral Resources
Manitoba Public Insurance Corp.
Manitoba Telephone System
Manitoba Textbook Bureau
Manitoba Trading Corporation
Manitoba Water Services Board
Moose Lake Loggers Ltd.
Venture Manitoba Tours
Workers Compensation Board

Schedule 1 to the financial statements lists those organizations that comprise the government reporting entity. The schedule identifies these organizations whose financial results are reflected in the financial statements as well as those that have not yet been included.

The organizations included represent all the significant organizations. As stated in note 1A to the financial statements, those organizations that have not been combined are not considered material and inclusion of their assets, liabilities and operating results would not materially change the financial statement presentation.

Operating Fund Financial Statements

The Operating Fund financial statements have their limitations. These financial statements only present the operating results and the financial position of the Operating Fund. They are only intended to account for the monies appropriated for expenditure by the Legislative Assembly. They do not provide an overall picture, including all of the operations for which the Government is responsible. They exclude the operations of special funds and organizations which provide services exclusively to the Government and through which the Government delivers programs.

Differences Between Summary Financial Statements and Consolidated Fund Financial Statements

The Operating Fund financial statements reflect only the direct activities of Government departments, including payments to Crown organizations to support their operations. The Summary financial statements reflect the combined activities of the Operating Fund, special funds and Crown organizations on a common accounting policy basis, with the elimination of inter-entity accounts and transactions, together with the operations of Government enterprises to the extent of the change in enterprise net assets and their operating results. The following accounts show the differences between the Operating Fund and Summary financial statements. Comments explaining significant differences are provided below.

	Adjusted Summary Financial Statements	Adjusted Operating Fund Financial Statements (millions)	Increase (Decrease)
Revenues	$ 4,954	$ 4,587	$ 367

Summary financial statement revenues increased mainly through the inclusion of revenues of the following entities:

- The Public Schools Finance Board (PSFB):
  - municipal levies $220;
- Manitoba Housing and Renewal Corporation (MHRC):
  - housing rentals $53 and
  - Canada's contribution of $41;
- Manitoba Lotteries Foundation (MLF):
  - portion transferred into trust $28.

Expenditures	5,228	4,854	374

Summary financial statement expenditures increased mainly through the inclusion of expenditures of PSFB - $220, MHRC - $92 and MLF - $28.

Deficit for the year	171	267	(96)

Summary financial statement deficit decreased mainly because of the inclusion of surplus funds related to equity in Government enterprises of $103 and Special funds of $11 less the inclusion of deficits of PSFB of $7 and Manitoba Properties Inc. (MPI) of $7.

	Adjusted Summary Financial Statements	Adjusted Operating Fund Financial Statements (millions)	Increase (Decrease)
Public debt expenditure	548	400	148

Summary financial statement public debt expenditure increased mainly because of the inclusion of such expenditures as: MPI - $70, PSFB - $56, MHRC - $28 and Special funds interest income - $6.

Assets	4,609	4,863	(254)

Summary financial statement assets decreased due to the elimination of inter-entity loans and advances of $464, the reduction of cash and equivalents of $51 and the net reduction in Government enterprises of $34 (unrecorded pension liability of $141 less net surplus of $107) less the addition of Crown organization assets of $295.

Liabilities	11,145	10,556	589

Summary financial statement liabilities increased due to the inclusion of borrowings of $590, accounts payable of $145 and unrecorded pension liability of $24 for other Crown organizations less the amount owing to trust of $170.

Accumulated deficit	6,536	5,693	843

The Summary financial statement accumulated deficit increased due to the inclusion of deficits of MPI of $426 and MHRC of $425 and the unrecorded pension liability for Crown organizations and Government enterprises of $165 less surpluses of Government enterprises of $107 and special funds of $67.

EXHIBITS

Exhibit 1

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

To The Members of the Legislative Assembly of Manitoba:

Under the authority of section 14 of the Provincial Auditor's Act, we have examined the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 1990 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the matter presented as reservation 1 regarding amounts receivable, these financial statements present information in accordance with the accounting policies of the Government Reporting Entity stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year. We also report two additional reservations. These pertain to the accounting treatment of pension liabilities and associated pension costs and the Preferred Shares of Repap Enterprises Inc. In our opinion, except for the effects of these three reservations as set out below, these financial statements present fairly the consolidated financial position of the Government of the Province of Manitoba as at March 31, 1990 and the results of its operations and changes in its financial position for the year then ended.

Reservation 1 - Recording of a Pending Amount Receivable from the Government of Canada

Recorded in the financial statements is $18.7 million in emergency disaster amounts receivable from the Government of Canada regarding a pending claim for fire suppression costs. The Governments of the Province of Manitoba and Canada are in the process of negotiating a cost sharing arrangement to cover these costs. As at March 31, 1990, cost sharing arrangements for these costs had not been finalized, the Province had not submitted a formal claim to Canada and Canada had not acknowledged this liability. As a result, realization of this amount receivable depends on future negotiations. As at March 31, 1990, the classification of the $18.7 million as an amount receivable cannot be verified. Had the $18.7 million not been recorded as an amount receivable in the financial statements, revenue would be decreased and consolidated net expenditure would be increased by $18.7 million for the year ended March 31, 1990. Also, assets would be decreased and the total excess of liabilities over assets and similar items (accumulated deficit) would be increased by $18.7 million as at March 31, 1990.

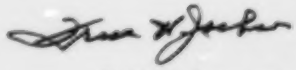
Reservation 2 - Failure to Record Pension Liabilities and Associated Pension Costs

In accordance with the accounting policy stated in note 1C2d to the financial statements, the Government Reporting Entity does not fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, teachers and Members of the Legislative Assembly in the financial statements. Note 16 provides information on the estimated unrecorded pension liabilities. The unrecorded pension liabilities are estimated to be $1,322.3 million as at March 31, 1990. Had the pension liabilities and the costs associated with the annual increase in the pension liabilities been recorded in the financial statements, expenditure would be increased by an estimated $132.9 million, the increase in equity in government enterprises would be increased by an estimated $7.8 million and consolidated net expenditure would be increased by an estimated $125.1 million for the year ended March 31, 1990. Also, assets would be decreased by an estimated $141.6 million, liabilities and unrealized recovery would be increased by an estimated $1,180.7 million and the accumulated deficit would be increased by an estimated $1,322.3 million as at March 31, 1990.

Reservation 3 - Valuation of Preferred Shares

The preferred shares of Repap Enterprises Inc., included in the consolidated statement of financial position as other long-term investments at $77.6 million, have been recorded at their future potential redemption value. The unrealized recovery from the future redemption of the preferred shares of Repap Enterprises Inc., of $77.6 million recognizes that realization of these shares is dependent on the future profitability of Manfor Ltd., or its successor, and other conditions being fulfilled well into the future. Had the unrealized recovery been offset against the shares, assets and liabilities and unrealized recovery would be decreased by $77.6 million as at March 31, 1990.

The combined effect of the three reservations on the 1990 operations is a decrease in revenue of $18.7 million, an increase in expenditures of $132.9 million, an increase in the increase in equity in government enterprises of $7.8 million and an increase in the consolidated net expenditure of $143.8 million for the year ended March 31, 1990. Also, assets would be decreased by $237.9 million, liabilities and unrealized recovery would be increased by $1,103.1 million and the accumulated deficit would be increased by $1,341 million as at March 31, 1990.



Winnipeg, Manitoba
March 12, 1991

F. H. Jackson, CA
Provincial Auditor

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Summary Financial Statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a consolidated statement of financial position, a consolidated statement of revenue and expenditure, a consolidated statement of changes in financial position, schedules and notes integral to the statements. Together, to the extent of the consolidation of funds, organizations and enterprises disclosed under "The Reporting Entity" in Schedule I, they present fairly, in all material respects the financial condition of the Government Reporting Entity at the fiscal period-end and results of operations for the year then ended.

On behalf of the Government

HONOURABLE CLAYTON MANNESS
Minister of Finance
March, 1991

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

SCHEDULE NO.		NOTE NO.	1990	1989
	ASSETS			
	Cash and equivalents		504	1,345
II	Amounts receivable		546	479
	Loans and advances	3	3,589	3,679
III	Equity in Government enterprises	4	107	5
	Other long-term investments	5	101	24
	TOTAL ASSETS		4,847	5,532
	LIABILITIES AND UNREALIZED RECOVERY			
	Amount owing to the Trust Fund	6	649	790
IV	Accounts payable, accrued charges, deferred revenue, deferred taxes and unrealized recovery		669	532
VI	Borrowings	7	8,470	9,225
	Provision for foreign currency fluctuation on Manitoba Hydro debt	8	266	286
	Unamortized foreign currency fluctuation	9	(12)	(111)
	TOTAL LIABILITIES		10,042	10,722
	EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE			
	Excess of liabilities over assets:			
	Beginning of year		5,057	5,118
	Share devaluation–Government enterprises	10	(7)	-
	Consolidated Net (Income) Expenditure		27	(61)
	End of year		5,077	5,057
	Serial debentures of school divisions and districts	11	118	133
	TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILIAR ITEMS		5,195	5,190

Information concerning the Government's guaranteed and indirect liabilities, financial commitments and contingent liabilities can be found in notes 12, 14 and 15.

Trust Fund assets and liabilities at March 31, 1990 were $1,464 million (1989 - $1,478 million). Further details are displayed in note 6.

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
REVENUE (Schedule V)		
Tax Revenue:		
Corporation income tax	152	201
Individual income tax	1,031	1,030
Retail sales tax	622	595
Fuel taxes	191	187
Liquor commission	146	150
Levy for health and education	191	199
Other taxes	417	426
Federal transfers:		
Equalization	910	863
Health and higher education	431	426
Shared cost and other	357	315
Fees and other revenue	525	512
TOTAL REVENUE	4,973	4,904
EXPENDITURE (Schedule V)		
Health	1,533	1,447
Education and training	1,036	1,021
Family services	485	446
Economic and resource development	690	675
Assistance to local governments and taxpayers	379	365
Justice, administration and other government services	424	397
Public debt	548	481
Hydro rates stabilization	-	44
TOTAL EXPENDITURE	5,095	4,876
NET INCOME (EXPENDITURE)	(122)	28
Increase in equity in Government enterprises (Schedule III)	95	33
CONSOLIDATED NET INCOME (EXPENDITURE)	(27)	61

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
Beginning cash and equivalents	1,345	816
Operating transactions:		
Consolidated net income (expenditure)	(27)	61
Non-cash items included in net income (expenditure):		
(Increase) in amounts receivable	(67)	(5)
Write-off/down of loans advances and long-term investments	-	8
Increase in valuation allowance charged to expenditure	1	2
Increase in accounts payable, accrued charges, deferred revenue and unrealized recovery	137	41
Amortization of foreign currency fluctuation	12	116
Amortization of debt discount	9	8
Increase in equity in Government enterprises	(95)	(33)
	(30)	198
Investing transactions:		
Acquired/made	(356)	(671)
Redeemed/realized	336	299
Cash and equivalents required for investing	(20)	(372)
Financing transactions:		
Debt issued: foreign	888	1,110
domestic	135	516
	1,023	1,626
Debt redeemed: foreign	(828)	(686)
domestic	(431)	(137)
Payment to (from) provision for foreign currency losses	(6)	-
Increase in sinking funds	(408)	(209)
	(650)	594
Change in trust fund	(141)	109
Cash and equivalents obtained from financing	(791)	703
Change in cash and equivalents during period	(841)	529
Ending cash and equivalents	504	1,345

SCHEDULE I

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY

SPECIAL FUNDS:

- Fires Prevention Fund
- Fiscal Stabilization Fund
- Holdback Accounts - Builders Liens and Contractual
- Land Titles Assurance Fund
- Manitoba Lotteries Foundation:
  - Amateur Sport
  - Community Places
  - Culture, Heritage and Recreation
  - Fitness Development
  - Multicultural Grants Advisory Council
  - Planning and Research
  - Special Health Projects
- Mining Community Reserve
- Veterinary Science Scholarship Fund
- Victims Assistance Fund

CROWN ORGANIZATIONS:

- Alcoholism Foundation of Manitoba
- * A.R.M. Industries Inc.
- * Centre Culturel Franco-Manitobain
- * Communities Economic Development Fund
- * Cooperative Loans & Loan Guarantee Board
- * Cooperative Promotion Board
- * Criminal Injuries Compensation Board
- * Crown Corporations Council
- * Deer Lodge Centre Inc.
- * Embalmers & Funeral Directors Act - Board of Administration
- * Hazardous Waste Management Corporation
- * Horse Racing Commission
- Legal Aid Services Society
- Manitoba Agricultural Credit Corporation
- Manitoba Arts Council
- * Manitoba Boxing and Wrestling Commission
- Manitoba Cancer Treatment and Research Foundation
- * Manitoba Centennial Centre Corporation
- * Manitoba Development Corporation
- * Manitoba Energy Authority
- * Manitoba Habitat Heritage Corporation
- * Manitoba Health Research Council
- Manitoba Health Services Commission
- * Manitoba Hospital Capital Financing Authority
- Manitoba Housing and Renewal Corporation
- Manitoba Properties Inc.
  - Manitoba Properties Leasing Inc.(holding company)
  - Manitoba Properties Management Inc.(holding company)
- Manitoba Research Council

SCHEDULE I
(cont'd)

* Milk Prices Review Commission
Public Schools Finance Board
* *Rehabilitation Centre for Children*
Universities Grants Commission

GOVERNMENT ENTERPRISES: (Schedule III)(note 4)

Utilities:
Manitoba Hydro
Manitoba Telephone System

Insurance:
Manitoba Crop Insurance Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board

Finance:
Liquor Control Commission
Manitoba Lotteries Foundation
Manitoba Textbook Bureau

Resource Development:
A. E. McKenzie Co. Ltd.
Channel Area Loggers
Leaf Rapids Town Properties Ltd.
Manitoba Mineral Resources
Manitoba Trading Corporation
Manitoba Water Services Board
Moose Lake Loggers
Venture Manitoba Tours

NOTES:

1. Crown organizations denoted by asterisks (*) are those whose financial results are not reflected in the 1989-90 Summary Financial Statements.

2. The operations of the following are reflected through appropriations of the Operating Fund and are not considered to be financially separate organizations:
   -Film Classification Board
   -Human Resource Opportunity Centres
   -Manitoba Adolescent Treatment Centre
   -Student Aid Appeal Board
   -Veterinary Medical Board

3. Manitoba Data Services would usually fall within the scope of the Government Reporting Entity. However, since it was sold in the 1990-91 fiscal year, it is not included. Similarly, the Manitoba Beef Commission was wound down during the 1990-91 fiscal year and is excluded.

GOVERNMENT OF THE PROVINCE OF MANITOBA
AMOUNTS RECEIVABLE
AS AT MARCH 31, 1990
(with comparative figures for 1989)

SCHEDULE II

($millions)

	1990	1989
TAXATION REVENUE:		
Retail sales tax	51	48
Motive fuel tax	6	6
Gasoline tax	10	10
Tobacco tax	4	8
Revenue Act, 1964	5	5
	76	77
INTEREST INCOME:		
Province of Manitoba sinking fund	39	31
Other investments	21	23
	60	54
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Shared cost programs	112	44
Canada Mortgage and Housing Corporation	14	17
Municipal corporations	64	65
Provinces and territories	6	8
	196	134
OTHER INCOME:		
Manitoba Lotteries Foundation	-	3
Manitoba Agricultural Credit Corporation	214	211
	214	214
	546	479

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT ENTERPRISES
SUMMARY OF OPERATING RESULTS AND FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990 *

SCHEDULE III

(with comparative figures for 1989)

($millions)

RESULTS OF OPERATIONS	UTILITIES	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 1990	TOTAL 1989
Revenues:						
From operations	1,181	648	426	46	2,301	2,131
Transfers from Province	-	7	-	-	7	23
Other	23	87	9	3	122	95
Total revenues	1,204	742	435	49	2,430	2,249
Expenses:						
From operations	827	708	265	39	1,839	1,719
Transfers to Province	-	-	177	-	177	175
Public debt	317	-	-	2	319	322
Total expenses	1,144	708	442	41	2,335	2,216
Net income (loss) for the year	60	34	(7)	8	95	33
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	236	176	13	17	442	549
Accounts receivable	171	178	6	9	364	385
Long-term investments	139	648	-	20	807	634
Fixed assets	4,733	18	8	18	4,777	4,391
Other assets	511	16	17	7	551	486
Total assets	5,790	1,036	44	71	6,941	6,445
Liabilities:						
Accounts payable and accrued liabilities	454	38	16	5	513	458
Long-term debt						
-owing to Government	2,892	100	13	20	3,025	3,020
-owing to others	2,068	535	6	4	2,613	2,305
Deferred liabilities	136	516	1	-	653	620
Total liabilities	5,550	1,189	36	29	6,804	6,403
Net assets (liabilities)	240	(153)	8	42	137	42
Adjustments and eliminations						
Permanent debt/equity financing	-	-	-	(30)	(30)	(37)
Equity (Deficit) in Government enterprises	240	(153)	8	12	107	5

* For enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

GOVERNMENT OF THE PROVINCE OF MANITOBA
ACCOUNTS PAYABLE, ACCRUED CHARGES, DEFERRED REVENUE, DEFERRED TAXES AND UNREALIZED RECOVERY
SCHEDULE IV

AS AT MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
Accounts payable	300	241
Accrued charges:		
Interest accrued on borrowings and trust funds	183	201
Other accrued liabilities:		
Manitoba Public Insurance Corporation	32	32
Criminal Injuries Compensation Board	20	17
Manfor Ltd. Divestiture (note 18)	10	-
Manitoba Milk Producers Marketing Board	2	2
Other	2	2
Deferred revenue	6	7
Deferred income taxes	36	30
Unrealized recovery from future redemption of preferred shares of Repap Enterprises Inc. (note 18)	78	-
	669	532

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE BY CATEGORY
FOR THE YEAR ENDED MARCH 31, 1990

SCHEDULE V

(with comparative figures for 1989)

($ millions)

	OPERATING FUND	SPECIAL FUNDS	CROWN ORGANIZATIONS	ELIMINATIONS	TOTAL 1990	1989
REVENUE						
Tax Revenue:						
Corporation income tax	152	-	-	-	152	201
Individual income tax	1,031	-	-	-	1,031	1,030
Retail sales tax	622	-	-	-	622	595
Fuel taxes	191	-	-	-	191	187
Liquor commission	146	-	-	-	146	150
Levy for health and education	191	-	-	-	191	199
Other taxes	413	4	-	-	417	426
Federal transfers:						
Equalization	910	-	-	-	910	863
Health and higher education	431	-	-	-	431	426
Shared cost and other	317	-	40	-	357	315
Fees and other revenue	202	63	2,539	(2,279)	525	512
TOTAL REVENUE	4,606	67	2,579	(2,279)	4,973	4,904
EXPENDITURE						
Health	1,521	1	1,428	(1,417)	1,533	1,447
Education and training	871	-	842	(677)	1,036	1,021
Family services	485	-	-	-	485	446
Economic and resource development	614	6	105	(35)	690	675
Assistance to local governments and taxpayers	379	-	-	-	379	365
Justice, administration and other government services	453	24	29	(82)	424	397
Public debt	425	-	151	(28)	548	481
Hydro rates stabilization	-	-	-	-	-	44
TOTAL EXPENDITURE	4,748	31	2,555	(2,239)	5,095	4,876
NET INCOME (EXPENDITURE)	(142)	36	24	(40)	(122)	28
Increase in equity in Government enterprises (Schedule III)					95	33
CONSOLIDATED NET INCOME (EXPENDITURE)					(27)	61

NOTE 1: Included in eliminations are valuation allowances which had been provided in the Operating Fund for certain Crown organizations consolidated herein.

NOTE 2: Revenue has been reduced by $47 million (1989 -$48 million) which represents the Municipal share of individual and corporation income taxes paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act.

GOVERNMENT OF THE PROVINCE OF MANITOBA
STATEMENT OF BORROWINGS
AS AT MARCH 31, 1990
(with comparative figures for 1989)

SCHEDULE VI

($millions)

	1990						1989
	GROSS BORROWINGS	SINKING FUNDS	INVESTMENT OFFSETS	UNAMORTIZED AMOUNTS	ADJUSTMENTS/ ELIMINATIONS	NET BORROWINGS	NET BORROWINGS
Operating fund	10,028	(1,910)	(199)	(39)	361	8,241	8,993
Crown organizations							
-Manitoba Housing and Renewal Corp.	229	(11)	-	-	11	229	232
-Manitoba Properties Inc.	372	-	-	-	(372)	-	-
	10,629	(1,921)	(199)	(39)	-	8,470	9,225

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies which have been applied in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The audited financial statements of the Consolidated Fund are published in Volume 1 of the Public Accounts. The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

In order to be considered a part of the Government's Reporting Entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. For 1989-90, those special funds, Crown organizations and Government enterprises not denoted by asterisks in Schedule I have been consolidated with the Operating Fund for inclusion in the Summary Financial Statements.

Crown organizations listed in Schedule I denoted by asterisks, which ultimately comprise the total Government Reporting Entity, are scheduled to be consolidated for the March 31, 1991 Summary Financial Statements. Combined at March 31, 1990, these organizations had assets of approximately $11 million and liabilities of approximately $5 million, which would reduce the Total Excess of Liabilities over Assets and Similar Items by $6 million. Their revenues for the fiscal year totalled $22 million and their expenses $20 million, yielding a net income of $2 million.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

The financial operations of provincial Crown corporations, agencies, board and commissions not herein consolidated are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or

2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or

3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF CONSOLIDATION

Special funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenditures and revenue of the Operating Fund. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. The financial results of enterpises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule III.

C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. Gross Accounting Concept

Revenues and expenditures are recorded in gross amounts with the following exceptions:

a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government Reporting Entity.

b) Refunds of revenue are treated as reductions of current year revenue.

c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.

d) Recoveries of the debt servicing costs on self-supporting debt from Crown organizations not consolidated herein and from Government enterprises are recorded as a reduction of Public debt expenditure. The same treatment is also given to income earned on investments and advances.

2. Modified Accrual Accounting

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

a) **Income From Canada-Manitoba Fiscal Arrangements** - This income is recorded on a cash basis with three exceptions:

i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;
ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and
iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.

b) **Fees and Other Revenue** - Amounts receivable from all levels of government, as well as amounts received

in April from agents for provincially collected taxes pertaining to the year just ended, are recorded as revenue receivable. Otherwise, Fees and other revenue are recorded on a cash basis.

c) **Salaries and Wages** - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.

d) **Pension** - The annual cost recorded by the Government Reporting Entity, except for the Manitoba Arts Council, the Manitoba Research Council and certain Government enterprises, is its share of pension paid to retired employees, teachers and Members of the Legislative Assembly.

The Government Reporting Entity does not fully record its liability for the annual cost of pension benefits earned by its employees, teachers and Members of the Legislative Assembly.

e) **Capital Assets and Inventories** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Except for deferred revenue, deferred income taxes and unrealized recoveries, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government Reporting Entity on other parties and encompass the net equity interest in the operation of consolidated Government enterprises. The liabilities are claims by other parties on the Government.

   Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

   Deferred income taxes are amounts calculated as being income taxes payable except that certain allowances and deductions under the Income Tax Act defer the tax liability to future periods. Manitoba Properties Inc. has recorded Deferred income taxes which are available to cover future tax liabilities.

   Unrealized recoveries are in relation to the expected redemption value of the Repap Enterprises Inc. shares. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfillment of other conditions, well into the future.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year end.

3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

   A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

   Loans, advances or long-term investments may be written-down in the accounts of the Government Reporting Entity, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in Cash and equivalents and the Province of Manitoba Sinking fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining sinking funds are shown at cost and do not reflect any amortization of investment premium or discount.

   Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

   Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized foreign currency fluctuation account and are amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

   Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in Deferred revenue.

   Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

   The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized foreign currency fluctuation account and are amortized annually to public debt expense over the life of the debt issue.

   Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

   On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

   Proceeds of debt raised for the purpose of retiring a specific debt issue on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of

unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act and are reflected as a reduction of Borrowings.

E. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown organizations and Government enterprises and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of sinking funds for the retirement of the debt of most Crown organizations and Government enterprises. These sinking funds are held in Trust by the Minister of Finance. The Crown organization or Government enterprise to whom the debt applies make annual contributions to the Sinking fund.

Contingent liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the summary financial statements.

2. VALUATION ALLOWANCES

A. CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances are provided only for those Crown organizations which have not been consolidated in the Summary Financial Statements and for Government enterprises, and are determined as follows:

1. **Operating Deficits**
   The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. **Non-Recovery Of Capital Investment**
   A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an organization or enterprise (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

C. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses, that are other than temporary declines, in the value of the Government's investments in other than Crown organizations and Government enterprises. The valuation allowance is based on an annual valuation of the investment.

3. LOANS AND ADVANCES

The following amounts include loans and advances to Crown organizations which have not been consolidated in these Summary Financial Statements and to Government enterprises. The Sinking Funds provided by the entity for repayment of the debt issued by the Province to fund the advances are deducted from the advances.

	($ millions)			
	Crown Organizations and Government Enterprises	Other	1990 Total	1989 Total
Loan/advance	3,514	265	3,779	3,868
Less: Sinking Funds	182	-	182	163
Valuation Allowance	3	5	8	26
Net	3,329	260	3,589	3,679

4. EQUITY IN GOVERNMENT ENTERPRISES

A summary of the Operating Results and Financial Position for Government Enterprises are displayed in Schedule III. The composition of the four categories is described in Schedule I. The category definitions are as follows:

Utilities:
Enterprises providing public utilities.

Insurance:
Enterprises which provide insurance coverage services to the public for a fee.

Finance:
Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods to non-Government clients.

Resource Development:
Enterprises charged with the development of various industries and /or the delivery of various products which will assist the Provincial economy.

Included in the Equity in Government enterprises are amounts which are restricted for use and thereby not available to discharge Government liabilities or to finance other Government programs:

	($ millions)	
	1990	1989
Manitoba Telephone System	123	87
Manitoba Hydro	116	92
Manitoba Public Insurance Corporation	31	11
Manitoba Crop Insurance Corporation	3	7
Manitoba Water Services Board	1	-
	274	197

5. OTHER LONG-TERM INVESTMENTS

The following amounts include investments in Crown organizations which have not been consolidated in these Summary Financial Statements and in Government enterprises:

	($ millions)			
	Crown Organizations and Government Enterprises	Other	1990 Total	1989 Total
Shares:				
Common	22	5	27	47
Preferred	2	78	80	109
Debentures	3	-	3	3
Profit sharing agreements	-	11	11	11
	27	**94**	**121**	**170**
Valuation allowance	6	14	20	146
Net	**21**	**80**	**101**	**24**

6. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown organizations and Government enterprises on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are Trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31st are as follows:

	($ millions)	
	1990	1989
ASSETS		
Amounts due from Operating Fund	649	790
Cash and investments	815	688
Total Trust Assets	**1,464**	**1,478**
LIABILITIES		
Trust Fund balances-Consolidated Fund	1,432	1,451
Trust Fund balances-Crown organizations	32	27
Total Trust Liabilities	**1,464**	**1,478**

In addition to the above Trust Funds, various departments and agencies hold cash and securities for which the Government reporting entity's responsibility is custodial in nature. The custodial trust amount reported at March 31, 1990 was $713 million (1989-$646 million) and includes the estates and trusts under the administration of the Public Trustee of Manitoba.

7. BORROWINGS

A summary of borrowings is displayed in Schedule VI. All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year-end.

Money is allocated annually to the Province of Manitoba sinking funds on the following basis:

A. a sum equal to 3% of the aggregate amount of debt related to general government programs, in Canadian Dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and
B. all earnings derived from investing the sinking fund.

The Manitoba Hydro-Electric Board and the Manitoba Telephone System make annual contributions to their respective sinking funds for the orderly retirement of their debt based on 1% of debt and Provincial advances outstanding at the preceding fiscal year end plus 4% of the sinking fund balance.

In addition, all principal repayments of advances by other agencies are allocated to the sinking fund and will be utilized to retire other agencies' debt as such debt matures.

8. PROVISION FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April 1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account to cover the total fluctuation in the value of this foreign debt.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of $266 million at March 31, 1990 (1989-$286 million) represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

9. UNAMORTIZED FOREIGN CURRENCY FLUCTUATION

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamortized portion of realized foreign currency gains or losses on the conversion of the foreign currency debt prior to maturity using the rates in effect at the time of the call.

10. SHARE DEVALUATION - GOVERNMENT ENTERPRISES

The Board of Directors of A.E. McKenzie Co. Ltd. and the shareholder of the Class B preferred shares, Manitoba Development Corporation, approved reduction of the redemption value of the Class B preferred shares from $1.00 per share to $0.072 per share on October 31, 1989. The share devaluation, which resulted in a reduction of $7 million in A.E. McKenzie's deficit, was reflected through the company's retained earnings (deficit) account. This action is consistent with the previous adjustment to the valuation of these shares reflected in the Consolidated Fund as at March 31, 1987.

11. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Operating Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

12. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt issued by Crown organizations not consolidated herein and by Government enterprises, which is guaranteed by the Government as at March 31st:

	($ millions) 1990	1989
Debt of Provincial utilities, cities and towns	1,733	1,604
Debt serviced in whole or in part from the Consolidated Fund	10	10
	1,743	**1,614**
Less: Applicable sinking funds	290	277
	1,453	**1,337**

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for foreign currency fluctuation on Manitoba Hydro Debt.

13. OTHER ACCRUED LIABILITIES

The Government Reporting Entity has accrued a liability at March 31st for losses or program expenditures in order to recognize the Province's responsibility to fund these amounts when they become payable:

	($ millions) 1990	1989
Manitoba Public Insurance Corporation - Reinsurance assumed losses	32	32
Criminal Injuries Compensation Board - Unfunded future costs of compensation awards	20	17
Manfor Ltd. Divestiture	10	-
Manitoba Milk Producers Marketing Board	2	2
Other	2	2
	66	**53**

14. FINANCIAL COMMITMENTS

The Government Reporting Entity has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Operating Fund. The Government Reporting Entity has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	($ millions) 1990	1989
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and Personal Care Homes	462	429
Public Schools	285	272
Repap Pulp and Paper Inc. (Divestiture of Manfor Ltd.)	150	-
Brandon University	3	3
Manitoba Water Services Board	2	2
	902	**706**
FUTURE COMMITMENTS:		
Acquisition of physical assets	1,164	1,336
Rental of physical assets	74	65
Housing construction and approved mortgage applications	33	58
Future billings on outstanding legal aid certificates	7	6
Outstanding orders for merchandise	3	3
	1,281	**1,468**
	2,183	**2,174**

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $82.6 million (1989-$64.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

15. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

		($ millions) Amount Outstanding	
	Maximum	March 31 1990	March 31 1989
Province of Manitoba			
Mortgages	1	1	1
Promissory notes	175	-	3
Bank loans and lines of credit	38	21	22
	214	**22**	**26**
Crown Organizations			
Mortgages		17	13
Guaranteed operating loans		3	2
		20	**15**

The Government has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including $53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government Reporting Entity has been named in approximately 275 legal actions, outstanding at March 31, 1990, which may result in future liabilities. As well, there are approximately 100 other claims outstanding in respect of damages to persons and property and like items. No provision has been made at March 31, 1990 as the outcome of these actions and claims is uncertain.

16. PENSION LIABILITY

The Government is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired teachers. Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Government to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

An actuarial valuation and report of the Government's liability to the Civil Service Superannuation Fund was determined as at December 31, 1986. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis at approximately $457 million at March 31, 1990 (1989-approximately $406 million). The liability of the Province to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The reserve which is indexed and held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability, amounted to $675 million as at December 31, 1989 (1988-$597 million). The Province's liability should approximate these amounts.

In addition, the Government is required to pay all of the pension disbursements made to retired Members of the Legislative Assembly (MLA's) in accordance with the Legislative Assembly Act. Members' contributions, as deducted from their renumeration, are treated as revenue of the Government. An actuarial valuation at December 31, 1986 determined the Government's liability to be $19 million. The report did not include a formula to update the liability annually, however, a revised report is expected to be available for disclosure in the 1990-91 Public Accounts.

The unrecorded pension liability for the Government Reporting Entity is as follows:

	($ millions) 1990	1989
Civil Service Superannuation Fund:		
Operating Fund	457	406
Crown Organizations	30	26
Government Enterprises	141	149
M.L.A.'s (as at December 31, 1986)	19	19
Teachers Retirement Allowances Fund	675	597
TOTAL	**1,322**	**1,197**

17. LEGISLATIVE AUTHORITY FOR BORROWING

Order-in-council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding $350 million at any one time.

Limits established by legislation for borrowing funds are reported here along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

	($ millions)	
	1990 Appropriation Acts	1989 Loan Acts
Incremental Non-Lapsing Authority Provided in 1989 Acts	800	800
Amount Used During the Fiscal Year Ended March 31, 1990	38	225
Available for Future Years	762	575
Unused Borrowing Authority From Prior Years	-	-
Unused Borrowing Authority at March 31, 1990	762	575

18. MANFOR LTD. DIVESTITURE

The Government Reporting Entity's investment in Manfor Ltd. was sold to Repap Pulp and Paper Inc. on May 4, 1989, for a consideration of $131.6 million, consisting of $10 million in cash, $31.6 million in Class MA shares and $90 million in Class MB shares in Repap Pulp and Paper Inc. The $10 million cash has been set aside to cover the estimated costs associated with the divestiture, which consist primarily of an unfunded liability by Manfor Ltd. to the Workers Compensation Board and the costs of an environmental clean-up program at the Manfor site.

A development incentive included in the sale agreement gives Repap Pulp and Paper Inc. the right to re-acquire one-half of the Class MB shares, which have a stated value of $45 million, for $1 million. This $44 million development incentive is subject to meeting certain deadlines established in the agreement and, if exercised, will reduce the redemption value of the shares received by the Province accordingly. In view of this, the Repap shares received on divestiture have been recorded in the Government Reporting Entity's accounts at $77.6 million.

The recorded value of the Government Reporting Entity's investment in Manfor Ltd. at the date of divestiture was $127.1 million, which was fully offset by an equivalent valuation allowance established in the 1987-88 fiscal year. After divestiture took place, the value of the Manfor Ltd. investment was written-down, utilizing the valuation allowance, to coincide with the estimated redemption proceeds from the Repap Pulp and Paper Inc. shares received in exchange for the Manfor Ltd. shares. This left a balance of $77.6 million in the valuation allowance, which amount is equivalent to the expected redemption value of the Repap Pulp and Paper Inc. shares. Although the accounting policies of the Government Reporting Entity allow for the recovery of this balance as a reduction of 1989-90 expenditures, it has been determined that recovery will be deferred until share redemption occurs. Accordingly, an Unrealized Recovery account has been created. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfilment of other conditions, well into the future.

Subsequent to the date of sale, the Class MA shares were exchanged for 316,397 Series D Preferred Shares of Repap Enterprises Inc. and the Class MB shares for 900,000 Series E Preferred Shares of Repap Enterprises Inc. The shares received in exchange have the same rights, privileges, restrictions and conditions as attached to the MA and MB shares.

19. SUBSEQUENT EVENTS

A. The Government's interest in Manitoba Data Services was sold to STM Systems Corp. in August of 1990.

B. On May 11, 1990 the Government and Manitoba Hydro entered into an agreement which provides that the settlement amount in respect of each United States dollar denominated debt issue governed by The Energy Rate Stabilization Act be calculated using a currency exchange rate of $1.21. This fixes the Province's liability in relation to foreign exchange fluctuations on these debt issues at $183 million.

20. COMPARATIVE FIGURES

Financial statement figures for 1989 have been developed on a basis consistent with the presentation adopted for 1990.

Exhibit 3

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

To The Members of the Legislative Assembly of Manitoba:

Under the authority of section 14 of the Provincial Auditor's Act, we have examined the Operating Fund statements of financial position and excess of liabilities over financial assets of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1990 and the Operating Fund statements of revenue and expenditure, changes in financial position, and those Operating Fund statements provided under statutory requirement for the year then ended. We have also examined the Trust Fund statements of assets and liabilities, cash and investments and balances, of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1990. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the matter presented as reservation 1 regarding amounts receivable, these financial statements present information in accordance with the accounting policies of the Government of the Province of Manitoba stated in notes 1 to the Operating Fund and Trust Fund financial statements of the Consolidated Fund applied on a basis consistent with that of the preceding year. We also report two additional reservations regarding the Government's accounting treatment of pension liabilities and associated pension costs and transactions with the Fiscal Stabilization Fund. In our opinion, except for the effects of these three reservations as set out below, these financial statements present fairly the financial position of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended.

Reservation 1 - Recording of a Pending Amount Receivable from the Government of Canada

Recorded in the Operating Fund financial statements is $18.7 million in emergency disaster amounts receivable from the Government of Canada regarding a pending claim for fire suppression costs. The Governments of the Province of Manitoba and Canada are in the process of negotiating a cost sharing arrangement to cover these costs. As at March 31, 1990, the Government had not finalized cost sharing arrangements for these costs, the Province had not submitted a formal claim to Canada and Canada had not acknowledged this liability. As a result, realization of this amount receivable depends on future negotiations. As at March 31, 1990, the classification of the $18.7 million as an amount receivable cannot be verified. Had the Government not recorded the $18.7 million as an amount receivable in its financial statements, revenue would be decreased and the annual deficit would be increased by $18.7 million for the year ended March 31, 1990. Also, financial assets would be decreased and the total excess of liabilities over financial assets and similar items (accumulated deficit) would be increased by $18.7 million as at March 31, 1990.

Reservation 2 - Failure to Record Pension Liabilities and Associated Pension Costs

In accordance with the accounting policy stated in note 1B2d to the Operating Fund financial statements, the Government does not record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, teachers and Members of the Legislative Assembly in its financial statements. Note 13 provides information on the Government's estimated unfunded pension liabilities. The unfunded pension liabilities are estimated to be $1,157 million as at March 31, 1990. Had the Government recorded the unfunded pension liabilities and the costs associated with the annual increase in

the pension liabilities in its financial statements, expenditure and the annual deficit would be increased by an estimated $131 million for the year ended March 31, 1990. Also, liabilities and the accumulated deficit would be increased by an estimated $1,157 million as at March 31, 1990.

Reservation 3 - Transactions with the Fiscal Stabilization Fund

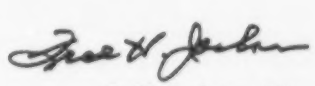
In accordance with the accounting policy stated in note 1A to the Operating Fund financial statements, the Government records in the Operating Fund the operational activities of the Government and reports amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt.

The Fiscal Stabilization Fund includes operating revenues that have been transferred from the Operating Fund. Segregation of the Fiscal Stabilization Fund from the Operating Fund results in the incomplete presentation of the Operating Fund financial statements.

For the year ended March 31, 1989, we reported our concern with the transfer of $200 million of Operating Fund revenues to the Fiscal Stabilization Fund. Our concern continues as this transfer results in the overstatement by $200 million of the Government's liabilities and the accumulated deficit as at March 31, 1990.

For the year ended March 31, 1990, the Fiscal Stabilization Fund recorded $25 million of interest earned on the $200 million of Operating Fund revenues transferred in 1989. This interest should be combined with the Operating Fund. Had the Government combined this interest with the Operating Fund, expenditure and the annual deficit would be decreased by $25 million for the year ended March 31, 1990. Also, liabilities and the accumulated deficit would be decreased by $25 million as at March 31, 1990.

The combined effect of the three reservations on the Government's 1990 operations is a decrease in revenue of $18.7 million, an increase in expenditures of $106 million and an increase in the annual deficit of $124.7 million for the year ended March 31, 1990. Also, financial assets would be decreased by $18.7 million, liabilities would be increased by $932 million and the accumulated deficit would be increased by $950.7 million as at March 31, 1990.



Winnipeg, Manitoba
December 7, 1990

F. H. Jackson, CA
Provincial Auditor

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Operating Fund and Trust Fund financial statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government and include a statement of financial position, a statement of excess of liabilities over financial assets, a statement of revenue and expenditure, a statement of changes in financial position, schedules and notes integral to the statements. Together, they present fairly, in all material respects the financial condition of the Consolidated Fund at the fiscal period-end and results of operations for the year then ended.

More detailed information regarding the Government's financial position and operating results can be found in other sections of this Volume and in Volume 2 of the Public Accounts. In addition, explanatory comments with respect to variances from planned revenue and expenditure, as well as increases from the prior year, are provided in each Government department's annual report.

On behalf of the Government

HONOURABLE CLAYTON MANNESS
Minister of Finance
December, 1990

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF FINANCIAL POSITION

As at March 31, 1990
(with comparative figures for March 31, 1989)

SCHEDULE NO.		($ millions) 1990	1989
	FINANCIAL ASSETS		
	Cash and Equivalents	$ 555	$ 1,368
1.	Amounts Receivable	251	179
2.	Loans and Advances:		
	Crown Corporations, Agencies, Boards and Commissions	4,039	4,143
	Other Governments	8	9
	Other	54	58
3.	Long Term Investments	43	170
	Valuation Allowance (Note 2)	(68)	(214)
	Total Financial Assets	$ 4,882	$ 5,713
	LIABILITIES		
	Amount owing to the Trust Fund	$ 1,044	$ 1,162
4.	Accounts Payable, Accrued Charges, and Deferred Revenue	446	359
	Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt (Note 3)	266	286
5.	Borrowings (Note 4):		
	Bonds and Debentures	6,287	6,850
	Canada Pension Plan	1,014	1,192
	Government of Canada	128	111
	Treasury Bills	451	452
	Unamortized Foreign Currency Fluctuation (Note 5)	(12)	(111)
	Total Liabilities	$ 9,624	$ 10,301
	EXCESS OF LIABILITIES OVER FINANCIAL ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE		
	Serial Debentures of School Divisions and Districts (Note 6)	$ 118	$ 133
	Securities Received From the Sale of Land and Buildings (Note 7)	205	182
	Excess of Liabilities Over Financial Assets	4,419	4,273
	Total Excess of Liabilities Over Financial Assets and Similar Items	$ 4,742	$ 4,588

Information concerning the Government's Guaranteed and Indirect Liabilities, Financial Commitments, Contingent and Pension Liabilities can be found in Notes 9, 11, 12 and 13.

Trust Fund Assets/Liabilities at March 31, 1990 were $2,538 million (1989 - $2,468 million). Further details are displayed in Note 8.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF EXCESS OF LIABILITIES OVER FINANCIAL ASSETS

As at March 31, 1990
(with comparative figures for March 31, 1989)

	($ millions) 1990	1989
BALANCE, BEGINNING OF YEAR	$ 4,273	$ 4,131
Repurchase of Land and Buildings from Manitoba Properties Inc.	4	-
Deficit for the Year	142	142
BALANCE, END OF YEAR	$ 4,419	$ 4,273

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 1990
(with comparative figures for the year ended March 31, 1989)

($ millions)

	1990 Budget Estimate	1990 Actual	1989 Actual
REVENUE			
Manitoba Collections:			
Retail Sales Tax	$ 625	$ 622	$ 595
Fuel Taxes	193	191	187
Liquor Commission	153	146	150
Levy for Health and Education	180	191	199
Other Taxes	466	413	421
Fees and Other Revenue	212	202	192
Income Taxes:			
Corporation Income Tax	167	152	201
Individual Income Tax	1,038	1,031	1,030
Federal Transfers:			
Equalization	853	910	863
Health and Higher Education Cash Transfer	452	431	426
Shared Cost and Other	290	317	279
TOTAL REVENUE BEFORE TRANSFER FROM (TO) FISCAL STABILIZATION FUND	$ 4,629	$ 4,606	$ 4,543
Transfer from (to) Fiscal Stabilization Fund (Note 14)	50	-	(200)
TOTAL REVENUE	$ 4,679	$ 4,606	$ 4,343
EXPENDITURE (Schedule 6 and 7) (Note 15)			
Health	$ 1,558	$ 1,521	$ 1,429
Education and Training	859	871	817
Family Services	492	485	447
Economic and Resource Development	578	614	577
Assistance to Local Governments and Taxpayers	385	379	365
Justice, Administration and Other Government Services	456	453	431
Public Debt	488	425	375
Hydro Rates Stabilization	-	-	44
	$ 4,816	$ 4,748	$ 4,485
Less: Year End Lapse	50	-	-
TOTAL EXPENDITURE	$ 4,766	$ 4,748	$ 4,485
DEFICIT FOR THE YEAR	$ 87	$ 142	$ 142

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1990
(with comparative figures for the year ended March 31, 1989)

($ millions)

	1990		1989
	Budget Estimate	Actual	Actual
Beginning Cash and Equivalents		$ 1,368	$ 848
Operating Transactions:			
Deficit for the Year	$ (87)	$ (142)	$ (142)
Non Cash Items Included in the Deficit:			
(Increase) in Amounts Receivable	-	(72)	(4)
Write-Off/Down of Loans, Advances, and Long-Term Investments	-	-	8
Increase in Valuation Allowance Charged to Expenditure	-	12	17
Increase in Accounts Payable, Accrued Charges, and Deferred Revenue	-	86	13
Amortization of Foreign Currency Fluctuation	93	12	116
Amortization of Debt Discount	10	9	8
Cash and Equivalents Required for Operations	$ 16	$ (95)	$ 16
Investing Transactions (Note 16):			
Acquired/Made	$ (833)	$ (323)	$ (735)
Redeemed/Realized	428	370	322
Cash and Equivalents Required for Investing	$ (405)	$ 47	$ (413)
Financing Transactions (Note 16):			
Debt Issued: Foreign	$ N.E.	$ 888	$ 1,110
Domestic	N.E.	135	516
	$ 1,555	$ 1,023	$ 1,626
Debt Redeemed: Foreign	(387)	(828)	(686)
Domestic	(409)	(428)	(135)
Payment to(from) Provision for Foreign Currency Losses	(6)	(6)	-
Increase in Sinking Funds	(192)	(408)	(207)
	561	(647)	598
Change in Trust Fund	-	(118)	319
Cash and Equivalents Obtained From Financing	$ 561	$ (765)	$ 917
Change in Cash and Equivalents During Period	$ 172	$ (813)	$ 520
Ending Cash and Equivalents		$ 555	$ 1,368

N.E. Not Estimated

GOVERNMENT OF THE PROVINCE OF MANITOBA

AMOUNTS RECEIVABLE SCHEDULE 1

As at March 31, 1990
(with comparative figures for March 31, 1989)

	($ millions) 1990	1989
Tax Revenue:		
Retail Sales Tax	$ 51	$ 48
Motive Fuel Tax	6	6
Gasoline Tax	10	10
Tobacco Tax	4	8
Revenue Act, 1964	5	5
	$ 76	$ 77
Interest Income:		
Province of Manitoba Sinking Fund	$ 39	$ 31
Other Investments	22	23
	$ 61	$ 54
Government of Canada and Other Governments:		
Shared Cost Programs	$ 112	$ 45
Other:		
Manitoba Lotteries Foundation	$ –	$ 3
City of Winnipeg	2	–
	$ 2	$ 3
	$ 251	$ 179

GOVERNMENT OF THE PROVINCE OF MANITOBA

LOANS AND ADVANCES SCHEDULE 2

As at March 31, 1990
(with comparative figures for March 31, 1989)

($ millions)

	Crown Corporations, Agencies, Boards and Commissions	Other Governments	Other	1990 Total	1989 Total
Due 1 Year or Less	$ 627	$ 1	$ 27	$ 655	$ 523
Due Over 1 Year	3,598	7	27	3,632	3,859
Total	$ 4,225	$ 8	$ 54	$ 4,287	$ 4,382
Less: Sinking Funds	186	–	–	186	172
	$ 4,039	$ 8	$ 54	$ 4,101	$ 4,210
Less: Valuation Allowance	43	–	5	48	67
Net	$ 3,996	$ 8	$ 49	$ 4,053	$ 4,143

GOVERNMENT OF THE PROVINCE OF MANITOBA

LONG TERM INVESTMENTS SCHEDULE 3

As at March 31, 1990
(with comparative figures for March 31, 1989)

($ millions)

	Crown Corporations	Other	1990 Total	1989 Total
Shares:				
Common	$ 22	$ 5	$ 27	$ 47
Preferred	2	–	2	109
Debentures	3	–	3	3
Profit Sharing Agreement	–	11	11	11
	$ 27	$ 16	$ 43	$ 170
Less: Valuation Allowance	6	14	20	147
Net	$ 21	$ 2	$ 23	$ 23

GOVERNMENT OF THE PROVINCE OF MANITOBA

ACCOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED REVENUE — SCHEDULE 4

As at March 31, 1990
(with comparative figures for March 31, 1989)

	($ millions) 1990	1989
Accounts Payable	$ 193	$ 101
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds	181	198
Other Accrued Liabilities (Note 10):		
Manitoba Public Insurance Corporation	32	32
Criminal Injuries Compensation Board	20	17
Manfor Ltd. Divestiture	10	-
Manitoba Milk Producers Marketing Board	2	2
Communities Economic Development Fund	1	1
Other	1	1
Deferred Revenue	6	7
	$ 446	$ 359

GOVERNMENT OF THE PROVINCE OF MANITOBA

SCHEDULE OF LIABILITIES FOR BORROWINGS

SCHEDULE 5

As at March 31, 1990
(with comparative figures for March 31, 1989)

($ millions)

Fiscal Year of Maturity	Bonds and Debentures Cdn$	Bonds and Debentures US$	Bonds and Debentures Other	Canada Pension Plan Cdn$	Govt of Canada Cdn$	Treasury Bills Cdn$	Totals 1990	Totals 1989
1990	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 1,453
1991	502	119	10	51	5	650	1,337	756
1992	134	176	196	54	5	–	565	482
1993	995	218	20	57	5	–	1,295	1,201
1994	41	546	32	65	5	–	689	673
1995	381	298	20	74	5	–	778	830
1990-1995	$ 2,053	$ 1,357	$ 278	$ 301	$ 25	$ 650	$ 4,664	$ 5,395
1996-2000	$ 1,208	$ 1,691	$ 21	$ 467	$ 28	$ –	$ 3,415	$ 3,427
2001-2010	–	–	–	1,211	73	–	1,284	1,169
2011-2020	–	644	–	–	21	–	665	358
1996-2020	$ 1,208	$ 2,335	$ 21	$ 1,678	$ 122	$ –	$ 5,364	$ 4,954
Total Borrowings	$ 3,261	$ 3,692	$ 299	$ 1,979	$ 147	$ 650	$ 10,028	$ 10,349
Reduced by:								
Unamortized Debt Issue Costs	21	18	–	–	–	–	39	44
Debt of the Province of Manitoba held as Provincial Investments	–	–	–	–	–	199	199	198
Sinking Funds Provided	484	403	39	965	19	–	1,910	1,502
	$ 2,756	$ 3,271	$ 260	$ 1,014	$ 128	$ 451	$ 7,880	$ 8,605

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXPENDITURE BY OBJECT SCHEDULE 6

For the Year Ended March 31, 1990
(with comparative figures for the year ended March 31, 1989)

	($ millions) 1990	1989
Personnel Services	$ 668	$ 625
Grants/Transfer Payments	2,648	2,507
Transportation	38	18
Communications	25	23
Supplies and Services	276	260
Social Assistance Related	343	308
Other Operating	39	43
Public Debt	425	376
Hydro Rates Stabilization	-	44
	$ 4,462	$ 4,204
Capital Related	286	281
	$ 4,748	$ 4,485

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXPENDITURE CATEGORY DETAIL SCHEDULE 7

For the Year Ended March 31, 1990
(with comparative figures for the year ended March 31, 1989)

($ millions)

	1990 Budget Estimate	1990 Actual	1989 Actual
Health	$ 1,558	$ 1,521	$ 1,429
Education and Training	$ 859	$ 871	$ 817
Family Services	$ 492	$ 485	$ 447
Economic and Resource Development:			
Agriculture	$ 89	$ 82	$ 88
Energy and Mines	13	13	14
Environment and Environmental Innovations Fund	12	12	10
Highways and Transportation	227	230	217
Housing	51	54	52
Industry, Trade and Tourism	38	35	32
Natural Resources	104	150	109
Northern Affairs	33	34	43
Allowance for Losses and Expenditures Incurred by Crown Corporations and Other Provincial Entities	3	4	12
Canada-Manitoba Enabling Vote	8	-	-
	$ 578	$ 614	$ 577
Assistance to Local Governments and Taxpayers:			
Rural Development	$ 58	$ 56	$ 52
Urban Affairs	78	75	77
Tax Credit Programs	249	248	236
	$ 385	$ 379	$ 365
Justice, Administration and Other Government Services:			
Civil Service	$ 70	$ 68	$ 64
Cooperative, Consumer and Corporate Affairs	8	8	7
Culture, Heritage and Recreation	21	21	21
Executive Council	3	3	3
Finance - Department Programs	22	22	19
Government Services	150	139	149
Justice	144	146	134
Labour	17	17	14
Legislation	13	13	16
Status of Women and Seniors Directorate	1	1	1
Flood Control and Emergency Expenditures	2	15	3
General Salary Increases	5	-	-
	$ 456	$ 453	$ 431
Public Debt	$ 488	$ 425	$ 375
Hydro Rates Stabilization	$ -	$ -	$ 44
	$ 4,816	$ 4,748	$ 4,485

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies followed by the Government of the Province of Manitoba, which have been applied in the preparation of the Operating Fund Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in the "Consolidated Fund". The activities of the Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

The financial operations of provincial Crown corporations, agencies, boards and commissions are not consolidated in these financial statements and are reflected in the Operating Fund financial statements only to the extent that:

1. they receive money from or pay money to the Government, or

2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or

3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. GROSS ACCOUNTING CONCEPT

Revenues and expenditures are recorded in gross amounts with the following exceptions:

a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government.

b) Refunds of revenue are treated as reductions of current year revenue.

c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.

d) Recoveries from Crown corporations and government agencies of the debt servicing costs on self-supporting debt are recorded as a reduction of Public Debt expenditure. The same treatment is also given to income earned on investments and advances.

e) Transfers to and from the Fiscal Stabilization Fund, under the provisions of the Fiscal Stabilization Fund Act, are applied directly against revenue.

2. MODIFIED ACCRUAL ACCOUNTING

The revenues and expenditures of the Government are recorded on an accrual basis with exceptions noted as follows:

a) INCOME FROM CANADA-MANITOBA FISCAL ARRANGEMENTS - This income is recorded on a cash basis with three exceptions:

i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;

ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and

iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.

b) FEES AND OTHER REVENUE - Collections are recorded on a cash basis except for amounts received in April from Agents for provincially collected taxes pertaining to the year just ended which are recorded as revenue receivable.

c) SALARIES AND WAGES - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.

d) PENSION - The annual cost recorded by the Government is its share of pensions paid to retired employees, teachers and Members of the Legislative Assembly.

The Government does not record its liability for the annual cost of pension benefits earned by employees, teachers and Members of the Legislative Assembly.

e) GOODS AND SERVICES - A period of forty-five days after the end of the fiscal year is allowed for the payment of operating expenditures incurred during that fiscal year. Payments in this period are reflected as accounts payable for the fiscal year just ended. Supplier accounts not paid within this period are treated as expenditures of the following year.

However, recording of expenditures is allowed after the forty-five day period if required to show the accurate financial condition of the Government, pursuant to authority provided under Section 8 of the Financial Administration Act. In this regard, any entries made after June 30 must be disclosed in the Public Accounts.

f) CAPITAL ASSETS AND INVENTORIES - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as expenditures on the same basis as Goods and Services.

C. ASSETS AND LIABILITIES

1. Except for deferred revenue, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government on other parties and the liabilities are claims by other parties on the Government.

Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as unamortized fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year-end.

3. Loans, advances and long-term investments held by the Government are subject to annual valuation.

The principal repayments and/or interest charges for some of the advances are dependent on total or partial funding from future appropriations of the Consolidated Fund. The major agencies to which this applies are the Manitoba Housing and Renewal Corporation, for most of the principal and interest funding, and The Manitoba Agricultural Credit Corporation, for partial interest funding.

A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

Loans, advances or long-term investments may be written-down in the accounts of the Government, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise, it is recorded at cost.

4. Investments included in Cash and Equivalents and the Province of Manitoba Sinking Fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining Sinking Funds are shown at cost and do not reflect any amortization of investment premium or discount.

   Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

   Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account, and amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

   Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamoritzed portion is included in deferred revenue.

   Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

   The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account, and amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is recorded through the Unamortized Foreign Currency Fluctuation account and is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue, whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt raised for the purpose of retiring a specific debt issued on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act, and are reflected as a reduction of Borrowings.

D. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown corporations, agencies, boards and commissions and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of sinking funds for the retirement of the debt of most Crown corporations, agencies, boards and commissions. These sinking funds are held in Trust by the Minister of Finance. The Crown corporation, agency, board or commission to whom the debt applies, make annual contributions to the sinking fund.

Contingent liabilities that result from other financial activities of the Government are reported in the notes to the financial statements.

2. VALUATION ALLOWANCE

The valuation allowance is determined as follows:

A. CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

1. OPERATING DEFICITS

The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. NON-RECOVERY OF CAPITAL INVESTMENT

A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

3. MANITOBA PROPERTIES INC.

Beginning in 1988-89 but not retroactive, the annual valuation allowances in relation to advances to Manitoba Properties Inc. include provision for advances made in relation to capital expenditure as well as operating deficits.

If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses, that are other than temporary declines, in the value of the Government's investments in other than Crown corporations, agencies, boards and commissions. The valuation allowance is based on an annual valuation of the investment.

C. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

The March 31, 1990 valuation allowance balance of $68 million (1989-$214 million) is after having given effect to the write-down of some loans, advances and long-term investments where it has been determined that the realizable value has been permanently impaired:

	($millions)	
	1990	1989
Manitoba Agricultural Credit Corporation	$ 9	$ 5
Manitoba Beef Stabilization Fund	17	-
Manitoba Housing and Renewal Corporation	4	-
Manitoba Development Corporation	1	-
Insulation Loan Program	-	2
Emergency Interest Rate Relief Program	-	1
Venture Capital Program	1	-
	$ 32	$ 8

3. PROVISION FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April 1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account to cover the total fluctuation in the value of this foreign debt.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of $266 million at March 31, 1990 (1989-$286 million) represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

4. **BORROWINGS**

All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year-end.

The weighted average rate of interest based on actual interest payments made during 1989-90 was 10.6% (1988-89 10.05%)

Money is allocated annually to the Province of Manitoba sinking funds on the following basis:

A. a sum equal to 3% of the aggregate amount of debt related to general government programs, in Canadian Dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and
B. all earnings derived from investing the sinking fund.

The Manitoba Hydro-Electric Board and the Manitoba Telephone System make annual contributions to their respective sinking funds for the orderly retirement of their debt based on 1% of debt and Provincial advances outstanding at the preceding fiscal year end plus 4% of the sinking fund balance.

In addition, all principal repayments of advances by other agencies are allocated to the sinking fund and will be utilized to retire other agencies' debt as such debt matures.

5. **UNAMORTIZED FOREIGN CURRENCY FLUCTUATION**

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamoritzed portion of realized foreign currency gains or losses on the conversion of the foreign currency debt called prior to maturity using the rates in effect at the time of the call.

6. **SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY**

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Operating Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

7. **SECURITIES RECEIVED FROM SALE OF LAND AND BUILDINGS**

During 1984-85 and 1985-86 the Government sold land and buildings with an aggregate value of $917 million to Manitoba Properties Inc. (MPI). The sale was arranged through two intermediary Crown corporations, Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc., and resulted in the Government receiving common shares of these two corporations along with promissory notes of MPI and cash as the purchase consideration.

The recorded value of the common shares has been reduced by a special valuation account which was established from a portion of the sale proceeds and is used to reflect the potential diminution in value of these shares as the result of dividends paid to preferred shareholders of Manitoba Properties Inc. on an annual basis. Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. each own 50% of the common shares of Manitoba Properties Inc. and the value of their equity in these shares could decrease annually with the payment of dividends by the latter to preferred shareholders.

Interest payable to the Province on the promissory notes is funded from annual rental payments made by the Government to Manitoba Properties Inc. and is therefore dependent on future appropriations of the Operating Fund. These securities are therefore included under this category because they do not represent a claim on other parties.

8. **TRUST FUND**

Included in the Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown corporations, agencies, boards and commissions, as well as the Fiscal Stabilization Fund, on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. The assets and liabilities of the Trust Fund itself as at March 31st are as follows:

ASSETS	($millions)	
	1990	1989
Amount due from Operating Fund	$1,044	$1,161
Cash and Investments	794	672
Total Trust Assets	$1,838	$1,833
LIABILITIES		
Trust Fund Balances	$1,838	$1,833
Total Trust Liabilities	$1,838	$1,833

In addition, the Trust Fund includes cash and securities for which the Government's responsibility is custodial in nature. The amount reported at March 31, 1990 was $700 million (1989-$635 million).

9. **GUARANTEED AND INDIRECT LIABILITIES**

Debt issued by Crown corporations, agencies, boards and commissions which is guaranteed by the Government at March 31st:

	($ millions)	
	1990	1989
Provincial utilities, cities and towns	$1,733	$1,604
Debt of Crown corporations whose main source of income is the Operating Fund	372	399
Debt serviced in whole or in part from the Operating Fund	10	10
	$2,115	$2,013
Less: Applicable sinking funds	290	277
	$1,825	$1,736

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt.

10. OTHER ACCRUED LIABILITIES

The Government has accrued a liability at March 31st for losses or program expenditures in order to recognize the Province's responsibility to fund these amounts when they become payable:

	($ millions) 1990	1989
Manitoba Public Insurance Corporation - Reinsurance assumed losses	$ 32	$ 32
Criminal Injuries Compensation Board - Unfunded future costs of compensation awards	20	17
Manfor Ltd. Divestiture	10	-
Manitoba Milk Producers Marketing Board	2	2
Other	2	2
	$ 66	$ 53

11. FINANCIAL COMMITMENTS

The Government has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Operating Fund. The Government has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	($ millions) 1990	1989
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and Personal Care Homes	$ 462	$ 429
Public Schools	285	272
Manitoba Housing and Renewal Corporation	225	229
Repap Pulp and Paper Inc. (Divestiture of Manfor Ltd.)	150	-
Brandon University	3	3
Manitoba Water Services Board	2	2
	$ 1,127	$ 935
FUTURE COMMITMENTS:		
Acquisition of physical assets	$ 157	$ 81
Rental of physical assets	60	94
	$1,344	$1,110

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $82.6 million (1989-$64.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

12. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	Maximum Guarantee ($ millions)	Amount Outstanding 1990 ($millions)	1989
Mortgages	$ 1	$ 1	$ 1
Promissory notes	175	-	3
Bank loans and lines of credit	38	21	22
	$214	$22	$26

This does not include guarantees that may be provided by Crown corporations, agencies, boards and commissions under their own separate authority.

The Government has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including $53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government has been named in approximately 275 legal actions, outstanding at March 31, 1990, which may result in future liabilities. As well, there are approximately 100 other claims outstanding in respect of damages to persons and property and like items. No provision has been made at March 31, 1990 in the accounts of the Province as the outcome of these actions and claims is uncertain.

13. **PENSION LIABILITY**

The Government is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired teachers. Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Government to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

An actuarial valuation and report of the Government's liability to the Civil Service Superannuation Fund was determined as at December 31, 1986. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis at approximately $457 million at March 31, 1990 (1989-approximately $406 million). The liability of the Province to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The reserve which is indexed and held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability, amounted to $675 million as at December 31, 1989 (1988-$597 million). The Province's liability should approximate these amounts.

In addition, the Government is required to pay all of the pension disbursements made to retired Members of the Legislative Assembly (MLA's) in accordance with the Legislative Assembly Act. Members' contributions, as deducted from their renumeration, are treated as revenue of the Government. An actuarial valuation at December 31, 1986 determined the Government's liability to be $19 million. The report did not include a formula to update the liability annually, however, a revised report is expected to be available for disclosure in the 1990-91 Public Accounts.

14. **FISCAL STABILIZATION FUND**

The Fiscal Stabilization Fund was established effective March 31, 1989 under authority of the Fiscal Stabilization Fund Act. The purpose of the fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term planning. Under authority of the Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council may deposit in the Fund any part of the revenue or other financial assets received in any fiscal year, and may transfer any part of the Fund to revenue of the Consolidated Fund.

If the Fiscal Stabilization Fund was consolidated in the financial statements of the Government, the net result for the Operating Fund would have been a deficit of $117 million (1989-$58 million surplus).

15. **LEGISLATIVE AUTHORITY FOR BORROWING AND EXPENDITURE**

Order-in-Council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding $350 million at any one time.

Limits established by legislation for borrowing funds and for expenditure from appropriations are shown below along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

A) **BORROWING:**

	Appropriation Acts	Loan Acts
	($ millions)	
Incremental Non-Lapsing Authority Provided in 1989 Acts	$ 800	$ 800
Amount Used During the Fiscal Year Ended March 31, 1990	38	225
Available for Future Years	$ 762	$ 575
Unused Borrowing Authority From Prior Years	-	-
Unused Borrowing Authority at March 31, 1990	$ 762	$ 575

B) **EXPENDITURE:**(Appropriation Acts)

1) **CHANGES FROM ORIGINAL BUDGET ESTIMATE**

The budget estimate shown on the Statement of Revenue and Expenditure consists of the original estimates as contained in the budget address delivered by the Minister of Finance on June 5, 1989.

The 1989-90 expenditure estimate of $4,766 million included an estimated saving of $50 million expected from lapsing expenditure authority in various appropriations. Because the specific appropriations were not identifiable, gross appropriation expenditure authority totalling $4,816 was voted and authorized in the Main Estimates. The amount was increased during the fiscal year as follows:

	($ millions)
Main Estimates (including general statutory appropriations)	$4,816
Supplementary Estimates	69
Increased by Special Warrants	39
Adjustment of estimated amount of statutory appropriations to actual expenditure	(62)
Total authorized expenditure	$4,862

2) **NON-COMPLIANCE WITH APPROPRIATION LIMITS**

i) The following voted appropriations of the Government were placed in a net overexpended position as a result of adjustments made to reflect accounting policies on valuation allowance and Crown corporation deficits:

Housing XXX-4	
Transfer Payment to the Manitoba Housing and Renewal Corporation	$654,082
Northern Affairs XIX-1	
Administration and Finance	26,312
Allowance For Losses and Expenditure Incurred by Crown Corporations and Other Provincial Entities XXXV-1	
Allowance for Losses and Expenditures	$1,222,242

ii) Ten appropriations of the Government had late accounts paid in the 1990-91 fiscal year which were in excess of the balance remaining in the appropriations by $1 million at March 31, 1990. These late accounts paid subsequent to 45 days after year end are excluded from March 31, 1990 liabilities by the existing accounting policy. These late accounts result in non-compliance with appropriation limits established for the respective programs.

C) **EXPENDITURE:**(Loan Acts)

The Loan Act, 1989, provided non-budgetary expenditure authority for the purposes designated in Schedule A and Schedule B of the Act. Schedule A provided $328 million of new expenditure authority while Schedule B indicated $1,200 million of unused expenditure authority from prior Loan Acts. The Act also provided for the lapsing of $430 million of previously voted expenditure authority which is no longer required.

Details of The Loan Act, 1989 expenditure authority is as follows:

	($ millions)
Incremental Authority (Schedule A)	$ 328
Unused Authority from Prior Loan Acts (Schedule B)	1,200
	$1,528
Expenditure Authority used during the fiscal year ended March 31, 1990	329
Unused Loan Act Expenditure Authority at March 31, 1990	$1,199
As at March 31, 1990, unused Loan Act Expenditure Authority was encumbered by	$ 21

Summary of Unused Loan Act Expenditure Authority at March 31, 1990:

		($ millions)
The Manitoba Hydro Electric Board - Limestone		$ 699
The Manitoba Telephone System		111
The Manitoba Housing and Renewal Corporation		111
The Manitoba Hospital Capital Financing Authority		80
Business Support		47
Vision Capital Fund	$30	
Industrial Opportunities Program	15	
Manufacturing Adaptation Program	2	
Manitoba Development Corporation		37
Federal/Provincial Water and Sewer Agreement		34
The Manitoba Agricultural Credit Corporation		22
The Manitoba Water Services Board		16
The University of Manitoba		10
Tourism Agreement		7
Communities Economic Development Fund		4
Loans	$3	
Guarantees	1	
Manitoba Data Services		9
The Co-operative Loans and Loans Guarantee Board		3
Loans	$2	
Guarantees	1	
Manitoba Hazardous Waste Management Corporation		3
Energy Conservation Loan Fund		5
Venture Manitoba Tours Ltd.		1
		$1,199

In addition to the Unused Expenditure Authority shown above, pursuant to prior Loan Acts, Order-in-Council 515/89 committed the Government to $150 million of loan guarantees in future years under the terms and conditions relating to the sale of Manfor Ltd. to Repap Pulp and Paper Inc.

16. **COMPARISON TO BUDGET ESTIMATE**

For purposes of providing a meaningful comparison of changes in the financial position with the budget estimate, in addition to the budget data, other internally developed management information has also been included in the budget estimate information.

17. **EXPENDITURES RELATED TO CAPITAL**

The Government has substantial holdings of physical assets such as buildings, highways and education and health facilities, which will be used to provide services in future periods and may tend to appreciate in value over time. However, these do not represent claims on others and are therefore not reported as assets, but rather as expenditures. Such expenditures are classified as "Expenditures Related to Capital" in the Main Estimates of Expenditure. This classification is defined as follows:

A. expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year;

B. expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces or by contractors on behalf of the Government and which significantly prolong the expected economic life of the asset;

C. the principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the Consolidated Fund as an expenditure;

D. grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purchase, construction or improvement of physical assets.

18. **MANFOR LTD. DIVESTITURE**

The Government's investment in Manfor Ltd. was sold to Repap Pulp and Paper Inc. on May 4, 1989, for a consideration of $131.6 million, consisting of $10 million in cash, $31.6 million in Class MA shares and $90 million in Class MB shares in Repap Pulp and Paper Inc. The $10 million cash has been set aside to cover the estimated costs associated with the divestiture, which consist primarily of an unfunded liability by Manfor Ltd. to the Workers Compensation Board and the costs of an environmental clean-up program at the Manfor site.

A development incentive included in the sale agreement gives Repap Pulp and Paper Inc. the right to re-acquire one-half of the Class MB shares, which have a stated value of $45 million, for $1 million. This $44 million development incentive is subject to meeting certain deadlines established in the agreement and, if exercised, will reduce the redemption value of the shares received by the Province accordingly. In view of this, the Repap shares received on divestiture have been recorded in the Province's accounts at $77.6 million.

The recorded value of the Province's investment in Manfor Ltd. at the date of divestiture was $127.1 million, which was fully offset by an equivalent valuation allowance established in the 1987-88 fiscal year. After divestiture took place, the value of the Manfor Ltd. investment was written-down, utilizing the valuation allowance, to coincide with the estimated redemption proceeds from the Repap Pulp and Paper Inc. shares received in exchange for the Manfor Ltd. shares. This left a balance of $77.6 million in the valuation allowance, which amount is equivalent to the expected redemption value of the Repap Pulp and Paper Inc. shares. Although the accounting policies of the Province allow for the recovery of this balance as a reduction of 1989-90 expenditures, it has been determined that recovery will be deferred until share redemption occurs. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfilment of other conditions, well into the future.

Subsequent to the date of sale, the Class MA shares were exchanged for 316,397 Series D Preferred Shares of Repap Enterprises Inc. and the Class MB shares for 900,000 Series E Preferred Shares of Repap Enterprises Inc. The shares received in exchange have the same rights, privileges, restrictions and conditions as attached to the MA and MB shares.

The Preferred Shares of Repap Enterprises Inc., representing the net proceeds from the sale of Manfor Ltd., were transferred to the Fiscal Stabilization Fund during the fiscal year ended March 31, 1990. The account representing the unrealized recovery from the Province's investment in Manfor Ltd., in the amount of $77.6 million, was also included in the transfer to the Fiscal Stabilization Fund. Recognition of the recovery on this investment will occur as cash is received from the redemption of the Preferred Shares. The revenue resulting from this recovery will be retained in the Fiscal Stabilization Fund and will be available for the purposes of the fund.

19. **SUBSEQUENT EVENTS**

A. The Government's interest in Manitoba Data Services was sold to STM Systems Corp. in August of 1990.

B. On May 11, 1990 the Province and Manitoba Hydro entered into an agreement which provides that the settlement amount in respect of each United States dollar denominated debt issue governed by The Energy Rate Stabilization Act be calculated using a currency exchange rate of $1.21. This fixes the Province's liability in relation to foreign exchange fluctuations on these debt issues at $183 million.

20. **ENTRIES MADE SUBSEQUENT TO JUNE 30, 1990**

Section 8(2) of the Financial Administration Act requires disclosure of entries made after June 30 respecting transactions of the preceding year. Accordingly, the following are reported:

A. Write-off of Loans, Advances and Long-Term Investments

Authorization for the write-off of $17 million, of the $32 million of loans, advances and long-term investments as detailed in note 2 of these financial statements, was provided by Order-in-Council 975/90 approved on September 19, 1990 and was effective retroactively to June 30, 1989.

B. Valuation Allowance

Valuation allowances are calculated as near as possible to Statement preparation time in order to ensure the most accurate provisions.

C. Manfor Ltd. Divestiture

Entries to reflect the divestiture of the Province of Manitoba investment in Manfor Ltd as detailed in note 18 were made subsequent to June 30, 1990.

D. Accrued Liabilities

Entries to reflect the following accrued liabilities were made subsequent to June 30, 1990.

	($ millions)
Family Services Social Programs	1
Criminal Injuries Compensation Board	3
Other	1

21. **COMPARATIVE FIGURES**

Certain of the 1989 financial statement figures have been restated to be consistent with the 1990 presentation.

GOVERNMENT OF THE PROVINCE OF MANITOBA

TRUST FUND ASSETS AND LIABILITIES

As at March 31, 1990
(with comparative figures for March 31, 1989)

	1990	1989
ASSETS		
Amount Due from Operating Fund	$ 1,044,062,833	$ 1,161,504,695
Cash and Investments	793,835,600	671,887,740
	$ 1,837,898,433	$ 1,833,392,435
LIABILITIES		
Trust Fund Balances	$ 1,837,898,433	$ 1,833,392,435
CUSTODIAL TRUST FUNDS		
Cash, Bonds and Other Securities held by the Department of Finance and Other Government Departments - as listed on page 2-12	$ 700,025,299	$ 634,834,375

GOVERNMENT OF THE PROVINCE OF MANITOBA

CASH AND INVESTMENTS

As at March 31, 1990
(with comparative figures for March 31, 1989)

	1990	1989
SINKING FUNDS:		
Sinking Fund Investments held for Bonds issued by Crown Corporations, Agencies, Boards and Commissions:		
Manitoba Hydro-Electric Board	$ 233,395,117	$ 223,722,812
Manitoba Telephone System	46,961,240	43,371,722
Manitoba Housing and Renewal Corporation	11,120,772	11,326,594
University of Manitoba	9,668,842	6,758,442
	$ 301,145,971	$ 285,179,570
FUNDS ON DEPOSIT FOR INVESTMENT:		
Manitoba Hydro-Electric Board Contingency Reserve:		
Manitoba Hydro-Electric Board Bonds	$ -	$ 1,917,098
Manitoba Public Insurance Corporation:		
Province of Manitoba Debentures	$ 88,335,670	$ 88,425,984
Manitoba Hydro-Electric Board Bonds	20,481,093	20,481,093
Manitoba Telephone System Bonds	20,837,103	20,837,103
Hospital Debentures	39,387,222	43,173,328
Cities, Villages, Towns and Rural Municipalities	56,679,977	32,404,820
School Division Debentures	112,606,569	80,750,453
Ontario Hydro Bonds	31,710,800	27,253,300
Quebec Hydro Bonds	27,231,500	17,513,750
British Columbia Hydro Bonds	7,050,680	1,941,800
Newfoundland Municipal Financing Corporation Bonds	1,250,000	-
Province of New Brunswick Debentures	4,591,000	-
Province of Saskatchewan Debentures	6,775,500	-
Province of Quebec Debentures	6,942,850	1,961,600
Government of Canada Bonds	29,912,500	14,825,000
	$ 453,792,464	$ 349,568,231
Public Service Group Insurance Fund:		
Government of Canada Bonds	$ 18,980,137	$ 18,294,334
Government of Canada Treasury Bills	10,840,370	7,239,016
Ontario Hydro Bonds	2,982,585	3,458,835
British Columbia Hydro Bonds	545,586	545,586
	$ 33,348,678	$ 29,537,771
Northern Flood Agreement:		
Quebec Hydro Bonds	$ 550,000	$ 550,000
Winnipeg School Division Debentures	693,072	708,416
	$ 1,243,072	$ 1,258,416
	$ 488,384,214	$ 382,281,516
Miscellaneous Trust:		
Suitors' Money Act		
Cash in Canadian Imperial Bank of Commerce	$ 4,305,415	$ 4,426,654
	$ 793,835,600	$ 671,887,740

GOVERNMENT OF THE PROVINCE OF MANITOBA

TRUST FUND BALANCES

As at March 31, 1990
(with comparative figures for March 31, 1989 and displaying
Receipts, Disbursements and Transfers for the Year Ended March 31, 1990)

	1989 Balance	Receipts/ Transfers	Disbursements/ Transfers	1990 Balance
SINKING FUNDS:				
Sinking Fund Contributions by Utilities and Others for own Direct Debt:				
Manitoba Hydro-Electric Board	$ 223,722,812	$ 244,982,808	$ 235,310,503	$ 233,395,117
Manitoba Telephone System	43,371,722	34,662,253	31,072,735	46,961,240
Manitoba Water Services Board	836,501	247,817	1,084,318	-
Manitoba Housing and Renewal Corporation	11,326,594	14,706,813	14,912,635	11,120,772
University of Manitoba	9,029,467	1,044,304	149,801	9,923,970
	$ 288,287,096	$ 295,643,995	$ 282,529,992	$ 301,401,099
FUNDS ON DEPOSIT FOR INVESTMENT:				
Churchill Forest Industries in Receivership	$ 276,636	$ -	$ -	$ 276,636
Civil Service Superannuation Fund	3,470,741	108,666,393	110,776,000	1,361,134
Centre Culturel Franco-Manitobain	-	651,042	51,042	600,000
Co-operative Promotion Board	52,000	-	-	52,000
Department of Education and Training - P. A. C. E.	35,661	2,907	27,500	11,068
Department of Energy and Mines - Niagara Capital	-	14,323	-	14,323
Department of Government Services - Fort Osborne Complex	-	556,111	-	556,111
Department of Health - Schizophrenic Research	27,825	3,456	-	31,281
Department of Justice	10,264	50,000	10,264	50,000
Department of Labour - Employment Standards	14,005	100,051	52,598	61,458
Employee Charitable Donations	862,592	769,421	697,216	934,797
Fires Prevention Fund	-	6,129,494	550,000	5,579,494
Fiscal Stabilization Fund	200,000,000	25,000,000	-	225,000,000
Home Care Employees' Fund	-	575,000	-	575,000
Hudson Bay Co. Archives	72,999	11,378	-	84,377
Leaf Rapids Town Properties Ltd.	689,731	370,071	359,350	700,452
Lynngold Resources Incorporated	-	2,000,000	218,669	1,781,331
Manitoba Arts Council	1,825,000	2,160,000	1,795,000	2,190,000
Manitoba Beef Commission	500,000	1,000,000	1,500,000	-
Carried Forward	$ 207,837,454	$ 148,059,647	$ 116,037,639	$ 239,859,462

	1989 Balance	Receipts/ Transfers	Disbursements/ Transfers	1990 Balance
Brought Forward	$ 207,837,454	$ 148,059,647	$ 116,037,639	$ 239,859,462
Manitoba Centennial Centre Corporation	431,266	1,464,725	1,578,316	317,675
Manitoba Centennial Foundation of the Future	17,923	1,790	-	19,713
Manitoba Crop Insurance Corporation	6,700,000	-	3,700,000	3,000,000
Manitoba Data Services	7,800,000	10,151,238	5,536,718	12,414,520
Manitoba Development Corporation	-	500,000	-	500,000
Manitoba Development Corporation - Tourism Agreement	896,073	5,204	83,685	817,592
Tourism/85 Agreement	283,750	45,330	-	329,080
Pension Fund	-	179,191	-	179,191
Manitoba Health Services Debenture	806,779	2,586,364	2,636,122	757,021
Manitoba Health Services - Other	2,550,594	1,468,891	1,454,949	2,564,536
Manitoba Hog Producers Marketing Board	7,200,000	10,800,000	15,500,000	2,500,000
Manitoba Housing and Renewal Corporation	13,296,086	35,117,768	42,141,238	6,272,616
Manitoba Housing and Renewal Corporation - Insurance Fees	233,316	29,379	54,179	208,516
Manitoba Hydro-Electric Board	311,000,000	610,500,000	717,500,000	204,000,000
Manitoba Hydro-Electric Board Contingency Reserve	1,917,098	125,115	2,042,213	-
Manitoba Intercultural Council	1,365,015	177,005	1,404,756	137,264
Manitoba Law Foundation	1,791,359	1,112,174	2,573,533	330,000
Manitoba Lottery and Other Proceeds - Manitoba Lotteries Foundation	16,200,000	21,158,552	32,703,552	4,655,000
Amateur Sport	2,603,945	376,778	1,400,000	1,580,723
Culture, Heritage and Recreation	14,760,000	6,050,000	4,300,000	16,510,000
Community Places	13,750,000	8,200,000	6,250,000	15,700,000
Fitness Development	785,149	109,988	2,014	893,123
Multicultural Grants Advisory Council	-	300,000	-	300,000
Planning and Research	318,147	47,274	2,014	363,407
Manitoba Milk Producers'Marketing Board	1,523,500	115,540,000	116,223,500	840,000
Manitoba Mineral Resources Limited	8,350,000	15,754,400	10,902,000	13,202,400
Manitoba Mineral Resources Limited - Ruttan Mines	2,149,134	3,083,017	3,132,151	2,100,000
Manitoba Natural Resources - Land Development	-	51,492	-	51,492
Manitoba Public Insurance Corporation	563,992,007	251,530,976	182,594,590	632,928,393
Manitoba Developmental Centre	115,707	-	707	115,000
Manitoba Research Council	1,117,856	529,308	480,210	1,166,954
Manitoba Telephone System	15,800,000	229,280,800	234,900,000	10,180,800
Municipal Employees' Benefit Fund	3,475,770	27,451,513	28,103,707	2,823,576
Carried Forward	$ 1,209,067,928	$ 1,501,787,919	$ 1,533,237,793	$ 1,177,618,054

	1989 Balance	Receipts/ Transfers	Disbursements/ Transfers	1990 Balance
Brought Forward	$1,209,067,928	$1,501,787,919	$1,533,237,793	$1,177,618,054
Northern Affairs - Remote Communities	-	63,634	-	63,634
Northern Flood Agreement	1,487,459	144,027	197,862	1,433,624
Northern Flood Committee	5,000,000	300,903	5,300,903	-
Public Service Group Insurance Fund	32,457,965	5,877,603	149,321	38,186,247
Public Trustee	2,800,000	44,250,000	28,650,000	18,400,000
Rentalsman	115,937	3,933	1,137	118,733
Red River Community College Student Building	34,366	4,269	-	38,635
Strategic Health Research	-	1,319,865	-	1,319,865
Teachers' Retirement Allowances Fund	75,615,000	142,590,000	159,665,000	58,540,000
Victims Assistance Fund	1,149,908	499,821	-	1,649,729
Welfare Administered Trust	130,000	-	15,000	115,000
Workers' Cancer Study	33,849	-	33,849	-
Workers Compensation Board	52,102,139	200,790,608	167,894,639	84,998,108
	$1,379,994,551	$1,897,632,582	$1,895,145,504	$1,382,481,629
BANKING FACILITY ACCOUNTS:				
A Clean Rural Environment	$ -	$ 758,476	$ 30,617	$ 727,859
Manitoba Agricultural Credit Corporation	4,792,412	102,814,064	98,036,554	9,569,922
Manitoba Beef Commission	1,759,115	1,642,915	3,340,987	61,043
Manitoba Crop Insurance Corporation - General	2,714,250	162,503,571	161,399,323	3,818,498
Hail Insurance	467,828	4,284,892	3,270,736	1,481,984
Reinsurance Account	14,152,825	23,078,878	30,039,907	7,191,796
Manitoba Hazardous Waste Management Corporation	115,545	200,168	294,779	20,934
Manitoba Law Foundation	38	-	-	38
Manitoba Potash Corporation	73,413	146,029	178,794	40,648
Manitoba Properties Inc	764,895	-	764,895	-
Manitoba Research Council	15,941	5,775,302	5,738,873	52,370
Manitoba Text Book Bureau	2,900,457	9,312,838	9,205,440	3,007,855
Manitoba Trading Corporation	505,615	102,053	109,748	497,920
Manitoba Water Services Board	349,566	50,138,721	49,515,615	972,672
Minister of Rural Development	845,282	6,464,494	6,017,308	1,292,468
	$ 29,457,182	$ 367,222,401	$ 367,943,576	$ 28,736,007

	1989 Balance	Receipts/ Transfers	Disbursements/ Transfers	1990 Balance
OPERATING TRUSTS:				
Manitoba Lotteries Foundation -				
Culture, Heritage and Recreation	$ 1,342,670	$ 21,961,110	$ 21,416,544	$ 1,887,236
Community Places	3,582,186	18,170,581	18,199,112	3,553,655
Amateur Sport	1,273,659	7,673,299	6,562,913	2,384,045
Fitness Development	190,861	396,183	237,009	350,035
Multicultural Grants Advisory Council	-	875,449	845,348	30,101
Planning and Research	83,658	85,620	30,146	139,132
Special Health Projects	-	844,000	844,000	-
The Mining Community Reserve	9,633,690	4,702,472	800,737	13,535,425
The Veterinary Science Scholarship Fund	7,470	15,562	15,000	8,032
	$ 16,114,194	$ 54,724,276	$ 48,950,809	$ 21,887,661
MISCELLANEOUS TRUSTS:				
School Divisions Reserve Fund	$ 941,419	$ 113,388	$ 97,645	$ 957,162
Aluminum Can Recycling Program	-	126	-	126
Amounts Collected on Behalf of Municipalities and Local Governments re: Permits and Leases	8,387	2,252,016	2,205,349	55,054
Builders' Lien Act	2,230,927	8,491,783	8,884,135	1,838,575
Communities Economic Development Fund	1,582,000	1,242,000	995,180	1,828,820
Consumer Protection Act	33,380	81,340	54,563	60,157
Contractual Holdbacks	225,068	704,607	696,889	232,786
Employee Charitable Donations	73	674,441	673,170	1,344
Employee Parking Fees	-	1,197,107	945	1,196,162
Environmental Health	3,720	-	-	3,720
Fires Prevention Fund	5,860,449	4,190,750	7,959,550	2,091,649
Guarantee Deposits	2,685,773	828,702	1,151,040	2,363,435
Highway Traffic Act	10,332	-	5,832	4,500
Health Services Insurance Act	2,098,745	-	2,098,745	-
Hudson Bay Company Archives	1,951	3	1,951	3
International Student Program	41,138	99,080	126,868	13,350
Land Titles Assurance Fund	153,851	39,484	96,140	97,195
Law Reform Commission	-	30,000	19,550	10,450
Manitoba Health Services Commission	58,465,374	89,537,537	86,886,785	61,116,126
Manitoba Health Services Commission - Ambulance Service	-	10,249	2,026	8,223
Manitoba Hydro Provincial Sales Tax Rebate - Indian Bands	29,845	-	-	29,845
Manitoba Jobs Fund	3,455,414	-	1,330,814	2,124,600
Manitoba Public Insurance Corporation	464,695	337,921,201	337,883,953	501,943
Mortgage Insurance Fund	451,109	185,221	55,762	580,568
Oak Hammock Marsh Conservation	67	50	-	117
Carried Forward	$ 78,743,717	$ 447,599,085	$ 451,226,892	$ 75,115,910

	1989 Balance	Receipts/ Transfers	Disbursements/ Transfers	1990 Balance
Brought Forward	$ 78,743,717	$ 447,599,085	$ 451,226,892	$ 75,115,910
Private Vocational Schools Act Surety Claims	11,200	-	-	11,200
Public Schools Finance Board	32,213,702	43,319,600	55,786,452	19,746,850
Red River Community College - Student Union Building	1,055	-	-	1,055
Sherridan Mines - Rehabilitation	975	20,000	20,700	275
Single Application for Vehicle Registration	70,351	6,338,109	6,407,610	850
Suitors' Money Act	4,426,655	4,702,298	4,823,538	4,305,415
Textbook Fees	1,099	-	-	1,099
Tripartite Stabilization Plan	13,584	4,296,095	4,060,704	248,975
Winnipeg Core Area Land	988,379	-	-	988,379
Winnipeg Core Area Land Acquisition	2,610,649	2,509,096	3,174,000	1,945,745
Veterinary Services - Humane Inspection	-	60,302	1,440	58,862
Victims Assistance Fund	168,618	705,083	678,492	195,209
Victims Fine	-	72,498	-	72,498
Other	289,428	1,341,553	931,266	699,715
	$ 119,539,412	$ 510,963,719	$ 527,111,094	$ 103,392,037
	$ 1,833,392,435	$ 3,126,186,973	$ 3,121,680,975	$ 1,837,898,433

GOVERNMENT OF THE PROVINCE OF MANITOBA

CUSTODIAL TRUST FUNDS HELD BY THE DEPARTMENT OF FINANCE AND OTHER GOVERNMENT DEPARTMENTS

As at March 31, 1990
(with comparative figures for March 31, 1989)

	Cash On Hand	Cash In Bank	Bonds and Other Securities	1990 Balance	1989 Balance
FINANCE:					
Civil Service Superannuation Board	$ -	$ -	$ 452,261,317	$ 452,261,317	$ 397,243,891
Cooperative, Consumer and Corporate Affairs	-	-	3,382,500	3,382,500	1,935,300
Cooperative Promotion Board	-	-	131,000	131,000	131,000
Energy and Mines	-	-	1,805,630	1,805,630	1,677,850
Finance	-	18,491	165,422	183,913	755,397
Health	-	-	23,411	23,411	23,411
Highways and Transportation	-	-	30,000	30,000	30,000
Justice	-	-	16,030	16,030	16,030
Manitoba Hospital Capital Financing Authority	-	-	3,061,500	3,061,500	3,457,500
Natural Resources	-	-	602,556	602,556	333,854
The Public Trustee	-	-	77,928,712	77,928,712	82,140,710
Workers Compensation Board	-	-	156,310,522	156,310,522	143,782,299
OTHER GOVERNMENT DEPARTMENTS:					
Agriculture	98	5,364	-	5,462	4,865
Cooperative, Consumer and Corporate Affairs	-	66,090	-	66,090	1,979
Education and Training	3,157	584,472	87,000	674,629	278,889
Family Services	2,999	132,885	-	135,884	70,996
Health	2,800	51,705	167,148	221,653	206,098
Housing	-	31,236	-	31,236	40,379
Industry, Trade and Tourism	-	-	58,110	58,110	73,843
Justice	-	1,243,700	1,375,397	2,619,097	1,688,115
Labour	-	167,182	-	167,182	160,884
Northern Affairs	50	308,815	-	308,865	781,085
	$ 9,104	$ 2,609,940	$ 697,406,255	$ 700,025,299	$ 634,834,375

NOTE: The Department of Finance also provides a safekeeping service for various departments, agencies, boards and commissions, including shares as well as other items which are not valued for inclusion in the above Custodial Trust Funds.

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

1. TRUST FUND ACCOUNTING POLICIES

A. The Trust Fund financial statements are prepared using the cash basis of accounting.
B. The gross accounting concept is not followed.
C. Bonds and other securities held as Custodial Trusts are shown at face or par value. All other Trust Fund investments, including Sinking Fund investments held for Crown corporations, agencies, boards and commissions, are shown at cost. Where an investment is in a foreign currency, it is restated at the rate of exchange in effect on March 31.

2. TRUST DIVISIONS

The Trust Fund is divided into two primary divisions;

A. ADMINISTERED TRUSTS
Those trusts where the Government has the responsibility for the administration and for investment of the Trusts.

B. CUSTODIAL TRUSTS
Those trusts where the Government has the responsibility is custodial in nature and there is little or no administrative responsibility. Generally, the responsibility for investment of Custodial Trusts is that of the depositor.

3. ADMINISTERED TRUSTS

Administered Trusts are divided into five categories;

A. SINKING FUNDS
Sinking fund contributions are deposited with the Minister of Finance by Crown corporations, agencies, boards and commissions in respect of their direct debt.

B. FUNDS ON DEPOSIT FOR INVESTMENT
Funds surplus to the immediate cash requirement of Crown corporations, agencies, boards and commissions are deposited for investment with the Minister of Finance.

Although certain of these deposits are covered by specific investments in the Trust Fund, the majority of these funds are invested with the Minister of Finance and interest is paid at market rate in accordance with the terms of the investment.

C. BANKING FACILITY ACCOUNTS
These accounts are operated for those Crown corporation, agencies, boards and commissions who bank with the Minister of Finance.

D. OPERATING TRUST
Certain trusts are established where legislation or agreements require receipts and related disbursements to be kept separate from Government revenue and expenditure. These "designated trusts" may, in some cases, be used for programs similar to those operated from appropriated funds but are dept separate because a trust requirement has been established. A separate Statement of Receipts, Disbursements and Transfers is prepared for each of these trusts and is published in the OTHER FUNDS section of the Public Accounts.

E. MISCELLANEOUS TRUSTS
These trust accounts result from the sundry deposit of cash and/or securities with the Government.